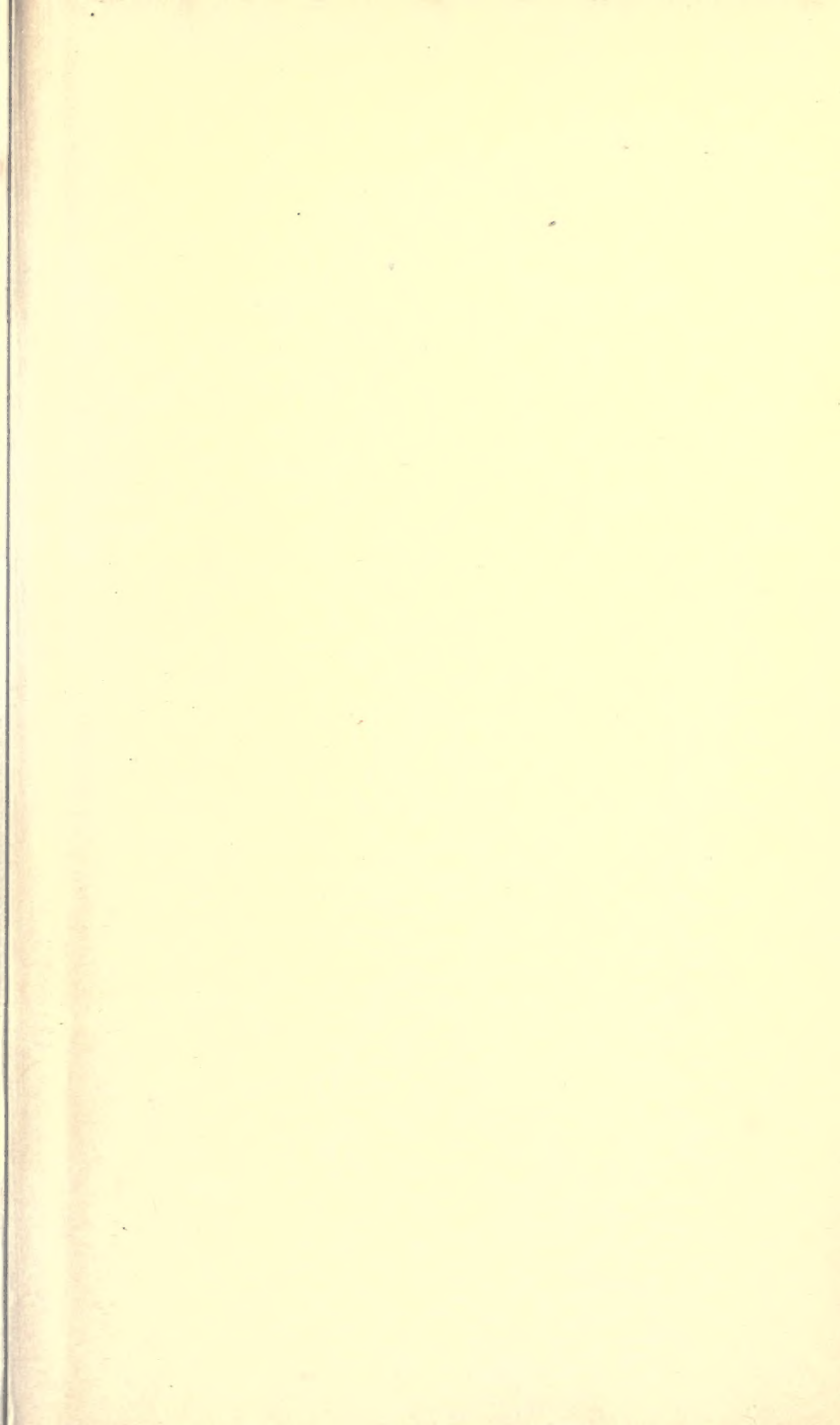


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THE IMPERIAL
ORGANIZATION OF TRADE

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14. POOR LAW REFORM. Presidential Address to the Central Poor Law Conference, 1906.
15. CAMBRIDGE MODERN HISTORY. Vol. XI.—Sections on Nicholas I., Alexander II., and Russian Literature, 1909.
16. AUSTRIA-HUNGARY, 1909.
17. BACK TO THE SEA. *Fortnightly Review*, July, 1909 ; reprinted First Thousand, October, 1909 ; Ninth Thousand, March, 1910.

THE IMPERIAL ORGANIZATION OF TRADE

BY
GEOFFREY DRAGE

"The trade policy of England . . . is the shining example of the world."

Sir WILFRID LAURIER, Prime Minister of Canada, July, 1910.

"It is apparent that some great project of co-operation in trade within the Empire must soon be undertaken. The Empire is entirely unorganized in this respect."

Mr. F. W. BORDEN, Leader of the Opposition, Canada, July, 1910.

R. L.

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1911

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DEDICATED
TO
HIS EXCELLENCY
DR. ADOLF WAGNER

Professor of Political Economy in the University of Berlin, in memory of the pleasure derived from his lectures in 1884, and as a slight token of a deep debt of gratitude to German learning not only at the University of Berlin, but also at the Universities of Heidelberg, Strassburg, Tübingen, Erlangen, Munich, and Freiburg im Breisgau.



PREFACE

THE present volume is a contribution towards the knowledge of one branch only of Imperial Organization, that of trade. It is an instalment of a larger work on Imperial Organization, and is published at the present time with a view to advancing the closer union of the Empire in trade matters at the next meeting of the Imperial Conference, which takes place in 1911. That meeting will occur in the midst of the festivities of the Coronation, and it behoves any one who wishes to obtain even the momentary attention of British statesmen at home or beyond the seas, to press such questions forward before those festivities begin, and above all while the spirit of compromise is still in the air.

The writer is no partisan on the bitterly controversial questions here discussed. In fact, though a keen Conservative, he has for this reason felt obliged to refuse in recent years desirable invitations to stand for Parliament. Such a refusal involves a personal sacrifice, the character of which all those who have sat at St. Stephen's, or have taken any part in home politics, will appreciate ; it will not, however, have been made in vain if it enables this volume to claim something more than a passing glance from politicians and administrators of different shades of economic

thought in the various portions of the Empire, which are so vitally concerned in the development of commerce.

It has been necessary, for the purposes of this book, to analyse all the most recent facts and figures published in authoritative quarters. The General Election in the winter and the mournful event of last summer have distracted the attention of the public, but have not checked the continual publication of a vast mass of blue-books and other official literature, which merchants and manufacturers and those engaged in the everyday work of politics, either here or beyond the seas, have at the best of times neither the leisure nor the inclination to digest for themselves.

It is hoped that the following pages, with their full table of contents and index, will enable politicians and business men to lay their hands on the most recent information, and at the same time to form their own opinions on the possibility of advancing the common cause of Imperial trade at the Conference of 1911, without injuring the susceptibilities of either Free Traders or Tariff Reformers.

The year 1914, in which the great European countries will begin to revise their commercial tariffs and treaties, draws near. It would seem to be possible before that date to devise an Imperial policy for the advancement of British trade which will command the approval of all sections of the community.

At any rate, apart from politicians and business men, there would appear to be a pressing need of

a comprehensive statement for the general reader, who is not frightened nowadays as he used to be by quotations from blue-books and official statistics.

The work now attempted is in fact a preliminary survey of existing knowledge such as a Royal or an Imperial Commission, which is suggested in this book, would have to undertake before setting out on its inquiry ; it embraces, however, English and foreign unofficial sources which a Royal Commission rarely deigns to consider, and it is intended to be a contribution to the permanent literature on the subject. As far as possible both facts and figures have been left to speak for themselves, but when comment or inference has been necessary the aim has been to maintain a strict impartiality between rival parties and policies, which was never more necessary than in the treatment of Imperial questions at the present time.

It should, perhaps, be added that as far as possible both facts and figures in the succeeding pages have been brought down to the date of October 1st, 1910.

G. D.

29, CADOGAN SQUARE,
LONDON, S.W.,
October 7th, 1910.

P.S.—While these pages were passing through the Press, various important events have taken place, including the second General Election, with Mr. Balfour's speech accepting the Referendum for

Tariff Reform, and the publication of the Australian Resolutions for the Imperial Conference of 1911, which are printed in the Appendix. Whatever the general effect of these occurrences may be, it may safely be said that they render such a summary, as is attempted in this book, a greater necessity than ever. In any case, it is pleasant to find that the conclusions of Australian statesmen are in general in agreement with those here adopted.

December 15th, 1910.

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THE IMPERIAL ORGANIZATION OF TRADE

INTRODUCTION

IMPERIAL organization is no new idea. The term itself was in use more than sixty years ago, and is the heading given in his biography to a speech made by the Honourable Joseph Howe in the Parliament of Nova Scotia on March 11, 1855, in which the following words occur :—

“ I do not hesitate to say that room must be made on the floor of Parliament and within the departmental offices of England for the aspiring and energetic spirits of this Continent.” And, again, “ They ” (the English) “ can only rule and retain such provinces as are to be found in North America by drawing these sympathies round a common centre by giving them an interest in the Army, the Navy, the diplomacy, the administration and the legislation of the Empire.”

It will be an interesting task for some future historian to trace the different ways in which similar views were advocated in the different British Dominions beyond the seas, as well as at home, during the last half of the nineteenth century. A great space in such a narrative will no doubt be occupied by the somewhat ambitious projects of closer union of the Empire which went by the name

of Imperial Federation. That movement, and others which embodied a vaguer aspiration after Imperial Unity, failed to bear fruit, because there were no definite practical objects of uncontested general utility to the whole Empire to be attained, no constitutional or administrative organ with which to work and no great Imperial impulse to quicken the aspiration.

The impulse was given by the South African War, which was, in fact, a war of secession, in which the whole Empire joined to prevent one of its important divisions from severing its allegiance to the Crown. It was a pity that more advantage was not taken of the Imperial spirit thus manifested at the end of the war. It would have been easy to call the Partner States formally into the Councils of the Mother Country as to the disposition of the conquered territories.¹ A special meeting of the Colonial Conference might have been summoned, or the method of a Royal Commission such as that which closed the previous Transvaal War might have been adopted, with representation thereon from the self-governing Colonies. Such suggestions were made, but other methods prevailed, and it seemed likely at one time that the only result of the war in the direction of closer union would be the constitution of the Imperial Defence Committee with its Secretariat. There had been, it is true, for some years a Council with a similar title, but owing amongst other things to the lack of a Secretariat to keep a record of its proceedings and secure continuity, no practical results were obtained. It may be added that there was little idea amongst the highest permanent and political officials of the importance of the things which were being left

¹ *Times*, June 9, 1900. Letter of the Author.

undone, until Sir George Clarke, the first Secretary got to work. It is tolerably well known that the work done by Sir Charles Ottley, his successor, is showing year by year the inestimable advantage to be reaped from this new department, of which the Prime Minister himself is the real chief.

It was pointed out during the war that there were many practical Imperial objects which could only be attained after the war was over by some form of closer union. Among those mentioned were improved telegraphic and postal communication, cheaper and more rapid transit for passengers and goods alike, uniformity in commercial legislation and administration.

The questions of a uniform fiscal policy and a uniform policy as to the migration of population were also raised, but were put on one side as offering no prospect of attainment owing to the deep and widespread differences of opinion that prevailed with regard to them.¹

After the termination of the South African War, the Colonial Conference of 1902 met, and separated, not without a general feeling that a great opportunity had been lost. Before long, however, a body of men, many of them occupying high positions and many of them holding widely different views on political and economic questions, came together and began to elaborate, under the chairmanship of Sir Frederick Pollock, a plan of Imperial Organization. Within three years this body came forward with an appeal for an Imperial Advisory Committee or Council with an Imperial Secretariat to be in effect an Intelligence Department for the civil affairs of the Empire, and a permanent Imperial Commission for

¹ *Times*, June 9, 1900. Letter of the Author.

special inquiries. The Government of the day might have appointed such a Committee and have organized the new department without more ado, but a good deal of spade work had to be done. The public at home had to be convinced that no encroachment was intended on the privileges and prerogatives of the Imperial Parliament. The public in the great Partner States beyond the seas had to be convinced that the new proposal involved no limitation on their existent or nascent autonomy. The Government rested content with a despatch which at first seemed to meet with little response in the colonies; however, on June 14, 1905, Mr. Alfred Deakin, the Prime Minister of the Australian Commonwealth, made a speech in which he adopted in all essentials the whole of the proposals made in a tentative manner by Sir Frederick Pollock's Committee, and others of our fellow subjects beyond the seas holding positions hardly less eminent expressed themselves quite as strongly in the same direction. Those, however, who had long worked for the closer union of the Empire as private individuals were not inclined to press the pace, remembering the wise words of Lord Salisbury spoken in 1902: "There is no danger," said the late Prime Minister, "that appears to me more serious for the time that lies before us, than an attempt to force the various parts of the Empire into a mutual agreement for which they are not ready and which will only produce a reaction in favour of the old state of things." It was especially desirable to be cautious from the fact that the Fiscal Controversy had introduced a deep division in the ranks of Imperialists, a fact with which I became daily impressed, as the special branch of Sir F. Pollock's inquiry entrusted to me

was the collection of information on the permanent objects of common utility to the whole Empire, with which the new institution could successfully deal.

In December, 1905, there was published the despatch sent earlier in the year by Mr. Lyttelton, the then Colonial Secretary, to the various Partner States, in which he adopted with some variation and addition the proposals of Sir Frederick Pollock's Committee. A new Government had come in and one not well disposed to projects of closer union. The result was that although the Chambers of Commerce of all the principal trading centres in Great Britain and Ireland passed resolutions in favour of the new departure, the Conference of 1907 produced little result except the appointment of a Colonial Office official to discharge the duties of Imperial Secretary, but with no extra staff and no substantially wider powers than those already possessed by Colonial Office officials up to that time.

We are not here concerned with the reasons for this limitation of the new institution, but only with the fact that to all intents and purposes the problem of Imperial organization from a business point of view remains in the same position as it was in 1907. The anomalies which press on business men remain as great as before, though a blue-book (Cd. 5273) published in July, 1910, shows that there has been some interesting correspondence between the Imperial and Colonial Governments with regard to them.

In the first place there is the question of uniformity of legislation and administration in all matters affecting the commercial community. At present business men meet at Chambers of Commerce and Congresses of Chambers of Commerce and pass resolutions on the subject. These resolutions are

agreed to unanimously, they are forwarded to the proper quarter, namely the department concerned, and then they are pigeon-holed. No further action is taken, because it is not the business of any influential body to press such matters continuously and energetically on the Government of the day, which will always, if left to its own devices, occupy the time of Parliament with matters which attract more attention from the electorate. But there are, in fact, few questions of more real importance to the prosperity of the Empire; and those who know Germany well will agree that the uniformity achieved with endless trouble in the law affecting trade and industry and its administration by the Code and the Supreme Court at Leipzig has been not the least important factor in building up not only German industry and commerce, but also German unity. A brief enumeration of some of the questions concerned will show alike their gravity and the absurdity of the existing system.

To begin at the beginning, consider the law as to naturalization. There has been for some years past a continuous influx, which I have studied on the spot, of Colonists from the United States into the North West Provinces of Canada. In many cases no doubt the immigrants have been Canadians returning to their native land, but the vast majority are aliens who are anxious to become naturalized, and who take out naturalization papers as fast as they can. Now the law as to naturalization in Great Britain varies from that of the Colonies. The main difference in this instance is that in the United Kingdom a residence of five years is required, while in Canada a residence of only three years is necessary; but the result of the Imperial Statute is that a person

naturalized is not a British citizen if he goes to London or Melbourne. The same is true of Colonial Naturalization in New Zealand and elsewhere.¹

Then again in a community dependent above all others on the inventiveness of its citizens it is a grave anomaly that to secure an invention throughout the King's dominions it is necessary to take out not one but at least twenty-eight patents ; and whereas a patent good for the whole of the United States costs £100, a patent good for the United Kingdom costs £100, and for the whole Empire from £500 to £600. In Canada a patent must be worked for two years, whereas in other parts of the Empire no such condition exists.²

It is the same with the law affecting trademarks. We did, indeed, in 1905 amend the law as to the registration and protection of trademarks, though the rules issued under that act by the Board of Trade appear to require alteration. But the law in the United Kingdom and the law in British India are different, and the law in the West Indies is different again. Indeed Barbados and Jamaica possess different regulations. What is wanted is an Imperial definition of a trademark, a similar system of law and practice with regard to registration throughout the Empire, with some cheap and simple method of extending the protection of any mark registered in any one part of the Empire to the whole Empire. At present to protect a trademark throughout the Empire, between thirty and forty registrations must be effected, five in South Africa alone, and it is needless to add that the process is always more or less costly. The recent amendment of the English law brings out more clearly the divergence thereof from

¹ Cf. Cd. 5273, p. 138.

² Cf. Cd. 5273, p. 65.

Colonial legislation; but on the other hand an attempt has been made in the Commonwealth of Australia to consolidate the existing law of the different States on the lines of the Act of 1905, a movement in the right direction which is worthy of record.

Then there is the question of copyright on which a new bill has been drafted, and introduced into the House of Commons in 1910. The principal Imperial Statute now in force, that of 1842, which regulates copyright and professes to legislate for the whole Empire, is generally admitted to be one of the worst penned on the Statute-book; and local legislatures, *e.g.* that of Quebec, have compiled other Statutes which are *ultra vires* as well as badly drawn. The law in England is full of difficulties, but the subject is one which does not interest Parliament, and although a comprehensive Bill has more than once passed the House of Lords none has yet been agreed to by the House of Commons. At present in regard to the United States the Empire stands in this position. If an English author or publisher desires to secure copyright in the United States he must set up his book there. If an American desires the same protection in the United Kingdom he has only to send a few copies of his book to the Stationers' Hall and register it there, a manifest injustice to employers and workmen in the printing trade.¹

There are other matters of general interest to the whole Empire, like the establishment of a uniform currency and a uniform system of weights and measures, reforms against which there are no valid arguments but the *vis inertiae* of the Legislature.

¹ Cf. Cd. 5273, p. 220. At the Conference of 1907 this Question was blocked by Sir Wilfrid Laurier, Cd. 3523, p. 490.

There are probably few, if any, business men who could pass an examination in the various systems of weights and measures prevalent in the Empire. Probably there are even in the United Kingdom some puzzles on the subject that well informed men could not solve. As long ago as 1878 Germany adopted the metric system and made it compulsory, the United States made it compulsory in 1907, and the British Empire enjoys with Russia the proud distinction of standing in this respect outside the pale of civilization.

There are some of the most important branches of Commercial law about which it would not be difficult to secure uniformity. English legislation as to partnership and bills of exchange has been widely adopted in the Colonies, and a commencement might be made with these. There are other branches, like the law as to insolvency and marine insurance, about which there would be rather more trouble, but which would still offer no such very serious obstacles. The law as to insolvency is one which presents great varieties. It not only varies in Great Britain and Canada, but in the Dominion itself the law varies on two banks of the same river. It is different at Hull from what it is at Ottawa.¹

The law as to marine insurance has at last been consolidated and simplified at home. The late Lord Herschell introduced an admirable Bill into the House of Lords in 1898. It was subsequently again introduced and passed by that House and eventually became law in 1907. It could well be adopted by the Colonial Government.

The question of the consolidation and codification

¹ Cf. Cd. 5273, p. 113. Correspondence as to uniformity in Company Law.

of our Statutes has long been a hobby of mine. Consolidation as is well known means the summarizing of all the Statutes on a given subject. Codification includes, in the summary with the Statutes, the decisions given by judges on points arising out of the Statutes and the departmental orders which have the force of law. Formerly, as Professor von Gneist used to say, English legislation was a model to the Continent. Now, what with the habit of legislation by reference to previous Statutes and the practice of leaving large and important gaps to be filled by departmental orders and orders in Council, the confusion grows worse and worse every year.

In 1885 I published a book on the German Criminal Code with the object of furthering the adoption of Sir James Stephen's Criminal Code, and then commenced a large book on the Commercial Codes of France, Germany, Italy, Spain, and Russia, with a view to the codification of our Commercial law, in which the late Lord Hannen gave me much valuable advice. But when it became clear that the Conservative Government of the day, which had included a Criminal Code in its programme, had dropped it for want of parliamentary driving power, I gave up the idea, though the book was partly in print, recognizing that such books were of no immediate practical use to bring about the desired reform as they are not read by members of Parliament. The work, however, taught me that foreign governments had overcome far greater difficulties than lie in our path, that the codes once enacted are a substantial benefit to the business community, and that in the case of a country like Germany they have exercised a definite unifying force. In the course of repeated and prolonged visits to the Colonies the

conviction grew on me, and as I became familiar with the work of Sir Samuel Griffith, G.C.M.G. (now Chief Justice of Australia), in the Queensland Criminal Code and Criminal Practice Rules, my desire increased to see such work imitated here. The close some years ago of the Government second edition of the revised Statutes with 1886 made me think of a formal appeal to the Government. I asked questions and spoke in the House of Commons and outside. I wrote to the *Times* again and again, but nothing came of it. The Government was always polite, but did nothing. Consolidation stopped suddenly about 1897, in consequence of the objections raised to a Post Office Consolidation Bill as introducing too many amendments. Amendments should of course precede codification and not be mixed up with it. Since then there have been exceptions, such as the Factory Act of 1901, the Children's Protection Act of 1907, the Companies Act of 1908, but what is wanted is a settled policy of consolidation systematically carried out step by step, some progress being made every session of Parliament. There is no doubt that the subject, from its nature, is not and never will be popular, but if we ever get a real Imperial Secretariat, it would cause such measures to be drafted and persuade the Imperial Government to pass them as non-contentious, and further suggest to the great Partner States the passing of similar enactments. If, in addition to the Imperial Secretariat, we should ever obtain an Imperial advisory Committee, such as that recommended by the Pollock Committee, the driving power of the Secretariat would be increased. Meanwhile the Society of Comparative Legislation has been doing excellent pioneer work in this direction, and Sir Frederick Pollock's Digest on Partnership

is well known. Moreover, in the Crown Colonies which are under the legal guidance of the Colonial Office, no little progress in consolidation has been made.¹

But at present, owing to the want of an Intelligence Department to keep the Government at home informed of what the Colonial Governments are doing, we have, in the self-governing Colonies, legislation like the recent New Zealand Shipping and Seamen's Act and the Harter Act passed by the Commonwealth of Australia, forming a tangle which will become almost insoluble. The Harter Act was hurriedly passed, and I believe the Colonial Office was in absolute ignorance of its contents when it went through.²

There are several minor grievances suffered by business men from local legislation both in the Colonies and at home. For instance, the local legislature in the Province of Quebec imposes a burdensome tax on commercial travellers. Similar legislation exists in Prince Edward Island, in British Columbia, and in the South African Colonies. Every Congress of Chambers of Commerce passes resolutions on these subjects. The Congress of the Chambers of Commerce of the Empire held at Sydney, New South Wales, in October, 1909, not only protested against the taxation of commercial travellers but also against the taxation of British traders in the Colonies. There are other matters in which the Partner States have a substantial grievance against the Home Government. As is well known, it is

¹ Cf. Appendix III., *infra*. p. 351.

² Cf. Cd. 5273. The Trade Commissioners appointed in the Colonies in 1908 will no doubt be of use in this point and some interesting information is contained in Cd. 5135, published in 1910 by the Dominions department of the Colonial Office. Moreover the Agents-General of the Colonies have become members of the Advisory Committee of the Board of Trade, and this step is in the right direction.

claimed by British shipowners that the duty of lighting and marking the coast is a high Imperial duty of the Government, and one performed by all Great Powers except Great Britain and Turkey at the public expense. It is claimed that the light dues are not only an unfair burden on the shipping industry but also put it at a disadvantage in foreign countries. Canada has a special grievance because Canada maintains a free light service, and yet Canadian ships are charged light dues in the United States because of the Legislation of the Imperial Government.

There is in addition the whole series of labour and social enactments, the codification and consolidation of which would be a great advantage to employers and employed throughout the Empire. All classes would gain by an attempt to bring the conditions of labour in the backward parts of the Empire to the same level as in the foremost, just as all classes would gain by the encouragement through legislation of a system of voluntary arbitration and conciliation.

The work that can be done in the sphere of legislation is enormous, but the work to be done in the sphere of administration is equally large. Take the question of a Supreme Court of Appeal for the whole Empire. When I was conducting the business section of the correspondence of the Pollock Committee on these subjects, I received letters from great administrators like Sir Cecil Clementi Smith, G.C.M.G., formerly Governor of the Straits Settlements, and Sir Frederick Fryer, K.C.S.I., formerly Lieutenant-Governor of Burma, who joined with great lawyers like Sir Samuel Griffith, G.C.M.G., the Chief Justice of Australia, and great Colonial statesmen like Sir John Forrest, G.C.M.G., Ex-Finance Minister of Australia, in advocating such a Court "as a great

addition to the visible dignity and substantial unity of the Empire.” While Mr. Justice Williams of New Zealand drew my attention to the fact “that the best plan for an Imperial Final Court of Appeal was drawn up by Lord Westbury as long ago as 1857.”¹ But although no steps have been taken since 1907 towards the constitution of a Supreme Court of Appeal, substantial progress has been made with the consolidation of the rules relative to appeals to the Privy Council from the Supreme Courts of the Dominions.²

Apart from the administration of justice there are many points in which the administration of the public service overlaps in such departments as the Foreign Office, the Board of Trade, and the Colonial Office. In particular there is still a great deal to be done in reforming the methods by which information of value to business men is collected and disseminated. The British Empire Census, first published in 1906, and the reports of the four Imperial Trade Commissioners appointed in 1908 are steps in the right direction, but much still remains to be done. As long ago as 1905 a Committee of the British Association pointed out in a report (1) the desirability of a common statistical method within the British Empire, and the interchange of views with the object of reaching a common method of classification, estimation of value and record of the origin and destination of goods ; (2) the desirability of publishing an annual report on a scale sufficiently large to present in considerable detail the trade of the King’s Dominions beyond the seas ; (3) the desirability of extending the uniformity attained in Australia by the publication

¹ Reports of Scotch peerage divorce and practice cases in the House of Lords, 1857, vol. ii. p. 668. T. F. MacQueen. ² Cd. 5135, p. 11.

of the year book of the trade of the Australian Commonwealth, and in Canada by the Statistical Year Book of Canada, and the report of the Canadian Department of Commerce. An adequate year book on the trade of South Africa will no doubt be forthcoming with the Union. In the West Indies there is need of closer customs relations and a joint annual report. A common system should obtain in India, the Straits Settlements, and the other Asiatic possessions of Great Britain. Moreover, the information as to the Crown Colonies generally is very deficient and lacking in uniformity. The British Association Committee further drew attention to (4) the importance of a prefatory note being prefixed to the statistical scheme of each colony, explaining the system of valuation, of registration of origin and destination, inclusive and exclusive of transhipment and transit trade, bullion and specie, bunker coal, etc., and affording other comments to assist the proper interpretation of statistics ; (5) the desirability that both for obtaining a more reliable criterion of trade and production in each colony, and for the establishment of satisfactory comparisons as to the productive power of the several states of the Empire, import and export statistics should be supplemented by a system of figures showing the internal trade and production of each colony ; (6) the importance of establishing a common statistical year.¹

This last enumeration leads me to the object of the present volume. Apart from uniformity in trade legislation and uniformity in administration of the

¹ Some interesting correspondence with regard to the simplification and unification of statistics has passed between the Imperial and Colonial Governments and is published in the bluebook, Cd. 5273, but very little actual progress has been made.

law relating to trade, there arises the question of uniformity in trade policy.

Hitherto, being well aware that we have not the information adequate for a final decision of the Imperial issues raised by the controversy between Free Trade and Tariff Reform, I have been inclined to arrive at progress on the lines of least resistance by promoting united action on uncontroversial matters such as those hitherto detailed. I have, however, come to the conclusion that the delay is useless, and perhaps dangerous, because the fiscal problem threatens, like Aaron's rod, to swallow up all other problems. It is true that for the moment in internal politics the constitutional issue is dominant, but that will not prevent trade questions from being the chief object of interest at the Imperial Conference of 1911. Later on I hope to return to the interesting legislative and administrative problems above referred to, but for the moment it seems of more practical use to show that Imperial organization is required in the matter of trade policy, and that the two mottoes prefixed to this volume are not irreconcilable. The trade policy of England has, indeed, so far been "the shining example of the world;" but an examination of the facts and figures up to October, 1910, will show that "some great project of co-operation in trade within the Empire must soon be undertaken. The Empire is entirely unorganized in this respect." That project of co-operation will be found to be one in which Free Traders and Tariff Reformers can, and, in fact, must, cordially combine.¹

¹ It is worthy of note that the first Resolution put down by the Australian Government for the Imperial Conference of 1911 is "Commercial Co-operation." Cf. Appendix IV., *infra*, p. 352.

CHAPTER I

FREE TRADE

BETWEEN 1820 and 1850 a system of free trade was introduced into the United Kingdom. The demand for the abolition of the pre-existing restrictions arose from a conviction of the uselessness and even harmfulness of the old Protectionist System which formed part of the paternal Government of the eighteenth century. The authors of this reform were thorough-going individualists, convinced of the wisdom of the principle of *laissez faire*. Freedom in trade was only one aspect of their belief. In matters of trade, Adam Smith, in the wider sphere of social and political life, Jeremy Bentham had taught them that men were the best judges of their own interests, and that therefore they would achieve the maximum of good for themselves and for the State if freed from the fetters of the interference of Government.

Until Huskisson's reforms in the years 1823-25 the manufacturers had enjoyed protection equally with the agriculturists. Indeed, the protection of manufactures had been the primary object of the State; for until the last quarter of the eighteenth century England had been a corn exporting country, and the epoch of protection for agriculture by means of import duties dates in its milder form from the beginning of the Napoleonic Wars (1791), and in its more stringent form from their close (1815).¹ By 1820

¹ Armitage Smith, "Free Trade, and its Results"; and Hasbach, "History of English Agricultural Labourer."

the manufacturers had outgrown the need of Protection, and were quite prepared to relinquish it in the face of other more pressing necessities.

The Reform Bill of 1832 gave the power of political expression to the newly risen class of great manufacturers whose interests and traditions were opposed to those of the landowners with whom they began to enter into political and social rivalry. For some time this class had controlled foreign markets.¹ Now they were beginning to suffer from competition among themselves as well as from the competition which was arising from continental nations. Their interests demanded (1) the abolition of duties on raw materials, which were raising the cost of production; and (2) the abolition of duties on corn, which was necessary not only to effect the cheapening of the means of the subsistence of the workers, and therewith to permit the reduction of wages, but also in order to obtain, in return for the free entry of continental corn into England, free admission of English manufacturers into continental markets. Their object was thus to restrict the continental nations from developing beyond the stage of agricultural states, so that England might remain the workshop of the world. They believed that by obstructing the import of foreign agricultural produce this country was helping to divert foreign countries to industrial activity. Their leader, Cobden, accused Parliament of nursing foreign competition and vitality by the Corn Laws.²

The progress towards Free Trade was gradual. In 1842, by Peel's Budget, direct taxation was introduced in the shape of the income tax to provide the necessary financial basis for the new system.

¹ Fuchs, "Trade Policy of Great Britain," pp. 5, 6.

² *Ibid.*, p. 6.

Duties were taken off 750 imported articles. Duties on raw materials were either altogether removed or reduced to a general level of 5 per cent. At the same time the Corn Bill was brought forward, under which the existing sliding scale of corn duties (established in 1828) was much reduced. These reforms were due to the Report of the Parliamentary Committee on Import Duties of 1840 (appointed owing to the agitation of the Anti-Corn Law League), which was, in fact, the Charter of Free Trade. In Lord Morley's words, the Whig Government (which ruled the country from 1830-41) "had taken from it in a blundering way a weapon or two with which they hoped they might be able to defend their places. Their successor grasped its principles with the hand of a master."¹

The reforms of 1842 completely failed to satisfy Cobden, who continued the agitation of the Anti-Corn Law League; but so long as times were good the League was powerless. In 1845 came a bad harvest. The corn crop failed, and there was a rise in the price of bread in England. In Ireland the potato crop failed and famine ensued. "It was the rain that rained away the Corn Laws." In the following year, 1846, the Corn Laws were repealed. Under the Act then passed the duties were to cease on February 1st, 1849, with the exception of a registration duty of 1s. per quarter. In the meantime the duty on wheat was 10s., when the price was under 48s., falling to 4s. when the price reached 53s.² By the same Act duties on 150 other articles of food, raw materials and manufactures were either reduced or abolished.

¹ Morley, "Life of Cobden," vol. i. pp. 216-17; note, p. 237. (1896 Edit.)

² Armitage Smith, "Free Trade and its Results," p. 90.

During the next twenty years the policy thus introduced was consummated. In 1849 the Navigation Laws were abolished. In 1853 Gladstone effected an extensive transformation of the tariff. No less than 123 articles were made duty free, the duty on 146 articles was reduced, and the duty on wholly manufactured articles was not to be more than 10 per cent. In 1860 Gladstone entirely abolished the duty on manufactured articles, retaining only the most productive duties on articles of consumption, and removed the differential duties in favour of the Colonies.

In 1866 the last remaining duty on raw material, namely that on timber, was taken off, and in 1869 the grain registration duty was abolished.¹ As far as relations with foreign powers were concerned a new epoch was inaugurated in 1860 by the commercial treaty between England and France concluded by Cobden and Michel Chevalier.

The abolition of the Corn Laws marked the complete victory of the manufacturing interest over the landowners; for as far as the rank and file of the agitators were concerned, the whole movement from start to finish was intended to further the interest of one class only, the industrial capitalists.² Cobden himself, at the foundation of the Anti-Corn Law League, said: "I am afraid that most of us entered upon the struggle with the belief that we had some distinct class interest in the question, and that we should carry it by a manifestation of our will in the district (*i.e.* Manchester) against the will and consent of other portions of the community." On this Lord Morley observes: "The important fact was that the

¹ Armitage Smith, "Free Trade and its Results," p. 94.

² Fuchs, "Trade Policy of Great Britain," pp. 8, 9.

class interest of the manufacturers and merchants happened to fall in with the good of the rest of the community, while the class interest against which they were going up to do battle was an uncompensated burden on the whole Commonwealth. . . . Besides this, it has been observed on a hundred occasions in history, that a good cause takes on in its progress larger and unforeseen elements, and these in their turn bring out the nobler feelings of the best among its soldiers. So it was here. The class interest widened into the consciousness of a commanding national interest.”¹

Cobden himself looked upon the Corn Laws as only a part, if the worst part, of a whole system of obstruction, and was absolutely consistent in his attitude. At the head of the manufacturers he opposed all governmental interference in industry and all combinations in restraint of free competition. It was the first tenet of his creed, that unfettered individual competition alone can ensure the highest attainable prosperity to Labour and the best use of Capital. He objected vehemently to all workmen’s combinations, declaring that he “would rather be under a Dey of Algiers than a Trades Committee.”²

As he distrusted regulations of market by Act of Parliament, so he distrusted regulations of the conditions of Labour. Round the Twelve Hours Act (1844) and the subsequent Ten Hours Act (1847), the battle was fought between the manufacturers on the one hand and Lord Ashley with his following of “Tory philanthropists” on the other. The manufacturers regarded this legislation as a series of acts of revenge aimed against them by the landowning interest; and while Cobden gave Ashley credit for

Morley, “Life of Cobden,” vol. i, p. 141.

² *Ibid.* pp. 297-9.

high motives, he strenuously opposed Ashley's measures in restriction of the hours of labour. In writing about this conflict, he observes that "the only good result is that no party will in future like to use the factory question for a cry. . . . One other good effect may be that men like Graham and Peel will see the necessity of taking anchor *upon some sound principles* as a refuge from the socialist doctrines of the fools behind them." Lord Morley's comment is, that it cannot be denied that Cobden was fully justified in describing the tendencies of the legislation as Socialistic. "It was an assertion of the power of the State in its strongest form, definitely limiting in the interests of the labourer the administration of capital."

Thus it will be seen that no system of Free Trade as Cobden and his followers understood the term ever existed in England. Simultaneously, with the establishment of free imports, the policy of restrictions on free competition and free exchange of labour was inaugurated. Nay, rather the latter preceded the former, for the Ten Hours Act became law in 1847, while it was only in the next two decades that duties on imports disappeared. The principle which the Ten Hours Act inaugurated has, of course, received a marvellous development between that time and the present day. Factory Acts each more far-reaching than the other, Merchant Shipping Acts, Mines Acts, Housing Acts, Employers' Liability Acts, and finally Arbitration Acts have been added, forming an almost complete code of social legislation. Meanwhile, Trade Unions have enormously extended their power under the special protection of legislation. In every sphere of industrial life governmental intervention and collectivist activity has taken the

place of the old policy of *laissez faire*, and the practice of unrestricted individual competition. Nor is this the policy of one party in the State. The Whigs and their descendants, the Liberals, are no less the advocates of State interference than the Tories and Conservatives ; for while the Conservatives under Disraeli learnt to adopt the Liberal Policy of Free Imports, the Liberals were weaned from their attachment to the wider application of the principle of *laissez faire*. Thus all that now remains to us of the doctrine of Cobdenite Free Trade is the policy of Free Imports, which is even so not universally applied in the finance of to-day.

Cobden persuaded himself that a moral and even a religious spirit might be infused into the movement against the Corn Laws. He saw in the principle of Free Trade an eternal truth. "The principle of Free Trade is one to which we may bow with all humility, acknowledging it as one of the ordinances of the Creator—that it is, in fact, the international Common Law of the Almighty."

Though there are still men who look upon Free Trade as an economic law "which should be followed as a truth in all times and places," the majority of the upholders of Free Trade base their belief in the wisdom of the policy on the solid foundation of its results. They point to the development of the United Kingdom during the last sixty years, and say that Free Trade has been justified.

RESULTS OF THE POLICY

(a) *Foreign Trade*

During the period 1841–1901 the population of the United Kingdom increased from nearly 27 millions

to $41\frac{1}{2}$ millions, that is a little more than 50 per cent. The question arises what has been the increase of trade during the same period, and how does it compare with preceding years? According to Armitage Smith “although the population of Great Britain increased 50 per cent. (from $12\frac{1}{2}$ millions to $18\frac{3}{4}$ millions) between 1811 and 1841 the export trade made no progress. . . . In 1845 our total foreign trade (exports and imports) only amounted to £160 millions, or less than £5 15s. per head of the population, and exports were greater in value than imports. The effect of the repeal of the Corn Laws was an immediate increase in foreign trade; the exports for the twenty-five years following 1845 were nearly three times those of the preceding twenty-five years, though some of this increase must be attributed to the effect of the gold discoveries.”

According to the Blue Book (Cd. 4954) published in November, 1909, the following are the figures for the Foreign Trade of the United Kingdom :—¹

Annual average.	Net Imports.	Amount per Head.	Exports of United Kingdom Produce excluding value of exports of ships and boats (new) with their machinery.	Amount per Head.
	£	£ s. d.	£	£ s. d.
1855-9	146,000,000	5 3 8	116,000,000	4 2 4
1865-9	237,000,000	7 16 3	181,000,000	5 19 0
1870-4	291,000,000	9 2 4	235,000,000	7 7 4
1880-4	344,000,000	9 15 3	234,000,000	6 13 2
1890-4	357,000,000	9 7 1	234,000,000	6 2 10
1900-4	466,000,000	11 2 2	283,000,000	6 14 9
1905-8	519,000,000	11 16 8	368,000,000	8 7 11
1909	533,000,000	11 17 0	372,000,000	
1905-8 } 1909 }	Including ships and boats.		{ 377,000,000 378,000,000	8 8 1 ²

¹ Cd. 4954, pp. 18-19.

² The figures for 1909 are contained in the Statistical Abstract for the United Kingdom (Cd. 5296), September, 1910, p. 69. The exports,

It will thus be seen that during the fifty years exports per head have doubled in value, while imports have considerably more than doubled in value per head of the population. Moreover, Bowley, in *England's Foreign Trade in the Nineteenth Century*, shows how, if changes in prices be taken into consideration, the period which appears to be one of stagnation with regard to foreign trade, was really a time of steady progress.

He says ¹: "when reduced by index numbers to the value of 1871, which is the fair way to make comparisons for a series of years, *import and export* figures are these"—

	Total Imports and Exports. Millions of £.	Same reduced to Gold Values of 1871.	
		Total.	Per head of Population.
1870	547	570	18
1873	682	613	19
1876	631	664	20
1879	611	736	21·5
1882	719	856	24·5
1885	642	891	25
1888	685	980	26·5
1890	748	1070	28
1895	703	1130	29

If the variation in prices be taken into consideration it will be found that these figures are still more favourable.

With regard to prices, *Sauerbeck's* index, appended,² is instructive. In the case of each of the

however, include the value of exports of boats, ships, and their machinery. From the table it appears that the exports per head were less in 1909 than in the three preceding years. The exports of new ships and their machinery amounted in 1909 to £6 million. Exclusive of these the exports thus amounted to £372 millions.

¹ p. 103.

² Appendix I., *infra*, pp. 345-6.

45 commodities included in the calculation the average prices for the eleven years, 1867 to 1877, are called 100. The average index numbers of all the commodities are here given.

It will be seen that from the decennial period 1865-74, when they stood at their highest, prices fell steadily until the decennial period, 1894-1903, and that since then there has been a rise.

It must be remembered that the statistics of our total foreign trade are given in values, not in quantities, and that therefore changes in prices should be considered. From this table it will be seen that the fluctuations in our foreign trade, are due, in part at any rate, to price changes.

If an international comparison be invited, it is pointed out that on an annual average of years from 1905 to 1908 the figures are :—¹

		Exports.	Per Head.	Imports.	Per Head.
		£	£ s. d.	£	£ s. d.
United Kingdom	..	368,000,000	8 7 11	519,000,000	11 16 8
Germany	..	311,000,000	5 0 8	388,000,000	6 5 5
United States	..	359,000,000	4 4 5	253,000,000	2 19 7

The United Kingdom thus stands first.

The question of the excess of imports over exports leads some authorities to argue an unfavourable balance of payments from a negative balance of trade. It is asserted that the United Kingdom is living on savings, that the balance is made up by the export of Stocks.

On the other hand, some authorities regard our imports as of far greater value than our exports as a

¹ Cd. 4954, pp. 59, 63 and 65.

measure of prosperity. Mr. Chiozza Money says: "We are enriched by our imports, our exports impoverish us unless in return we receive as good or better value in imports."¹ Mr. J. M. Robertson declares that exports are to be desired solely for what they bring in.

With regard to the balance of trade, Professor von Schulze-Gaevernitz points out that during the years 1893–1903 the excess of imports over exports was on an average £161 millions.² The excess of our imports represents the earnings of our shipping and the dividends on foreign investments. In the Blue Book (Cd. 1761) of 1898, Sir Robert Giffen estimated England's net income from freights at £90 millions, and the sum received as annual interest on foreign investments was estimated by him in the same year as at least £90 millions. Nowadays £100 millions is probably too low an estimate. According to Sir Robert Giffen, while British income doubled during the years 1865–98, the income from abroad has increased ninefold. Whether this development is desirable is a question discussed later on (pp. 298 *seq.*).

(b) *Home Trade.*

Mr. Asquith speaking at Cinderford on October 8th, 1903, said: ³ "It is difficult to say exactly what the bulk of our Home Trade is, but the Board of Trade have computed that as the wages paid in the Home Trade are something like £130 millions, and

¹ Cf. *infra*, for examination of these opinions.

² Schulze-Gaevernitz, "Britischer Imperialismus und Englischer Fref-handel," pp. 245–6.

³ Gilmour, "All Sides of the Fiscal Controversy," p. 65.

as the total Wage Bill of the country is between £700 and £750 millions, the export trade does not employ more than one-fifth or one-sixth of the whole labour of the country."

According to Lord Brassey : "The cotton industry excepted, the home market is more important than the foreign market for every branch of the trade." This view is controverted by Schulze-Gaevernitz ; but if it is sound, the industrial condition and the progress of the country is better judged by considering the home market than by the foreign trade.

There are, however, no statistics of the development of the home market as yet available, like those given with regard to foreign trade, and we can therefore only form a general opinion of the condition of the country from such considerations as the following :—

Income.—The total amounts assessed to income tax, the amount per head of the population, the produce of 1*d.* in the £ income tax, and the produce of 1*d.* in the £ per head of the population :—

	Population in Millions.	Assessment to Income Tax in Millions.	Income per head of the Population.
		£	£
1861 ¹	28·9	311·8	10·7
1871	31·5	445·6	14·1
1881	34·9	560·0	16·0
1891	37·7	678·1	18·0
1901	41·4	866·9	20·9

¹ Schulze-Gaevernitz, "Britischer Imperialismus und Englischer Freihandel," p. 251, quoting Report of Inland Revenue Commissioners, 1903. Cf. Cd. 4954, p. 136, Statistical Abstract, 1894 to 1908, p. 38.

	Produce of 1 <i>d.</i> in the £.	Produce per head of the Population.
	£	<i>d.</i>
1861 ¹	1,122,258	(Schulze) 9·30
1871	1,587,596	12·10
1881	1,915,683	13·17
1891	2,238,130	14·23
1901	2,531,462	14·65

Goschen² gives the number of individuals and private firms assessed under Schedule D.—trades and professions :—

	1877.	1886.	Increase.
Incomes between £150 and £500 ..	285,754	347,021	21·4 per cent.
„ „ £500 „ £1000 ..	32,085	32,033	
„ „ £1000 „ £5000 ..	19,726	19,250	-2·5 „
„ over £5000	3,122	3,048	-2·3 „

Thus it is seen that it is just the widest stratum of the population which has benefited by the increase in income. Sir Robert Giffen observes :³—“ While Capital has increased, income from Capital has not increased in proportion. The increase of earnings goes exclusively or almost exclusively to the working classes. . . . What has happened to the working classes in the last fifty years is not so much what may be called an improvement as a revolution of the most remarkable description.”

*Wages.*⁴—With regard to wages, Bowley in “ National Progress in Wealth and Trade ” states :

¹ Schulze-Gaevernitz, p. 252, quoting Inglis Palgrave. Cd. 4954, p. 139.

² Schulze-Gaevernitz, “ Britischer Imperialismus und Englischer Freihandel,” p. 253; Goschen, “ Increase of Moderate Incomes.” Journal of Royal Statistical Society, 1887, pp. 589-612.

³ “ On the Progress of the Working Classes.” “ Financial Essays,” vol. ii., cf. Report of the Royal Commission on Labour, 1894.

⁴ Brassey, “ Sixty Years of Progress and the New Fiscal Policy,” p. 19.

“The average weekly rate of wages of all employments taken together advanced from 21*s.* 6*d.*, in 1881 to 23*s.* 6*d.*, in 1891, and 27*s.* 6*d.* in 1901—an increase of 29 per cent. The rate of increase in the last twenty years has been greater than in any previous period of equal length. Wages have risen in the building trades 15 per cent., in iron and steel manufactures 30 per cent., in the engineering trades 15 per cent., for coal miners 30 per cent., for agricultural labourers 10 per cent., in the cotton industry about 10 per cent. The progress in the last period has only been equalled in that immediately preceding.”

Further, Bowley in “England’s Trade in the Nineteenth Century,” p. 106, makes the following statement :—

As regards *real income*—that is, wages or salaries reckoned by their purchasing power—their improvement has, but for very short periods, been continuous since 1775.

From 1775 to 1815.—Prices rose, but incomes rose still more.

1820 to 1857.—Prices fell 35 per cent. ; incomes remained nearly steady.

1857 to 1873.—Prices rose 50 per cent. ; incomes rose 60 per cent.

1873 to 1895.—Prices fell 45 per cent. ; incomes fell but rose again to the level of 1873.

1895 to 1901.—Prices rose 12 per cent., but incomes rose 15 per cent.

Combining these and similar figures we have :—

Average income corrected by wholesale index

numbers and expressed as a percentage of the height in 1901 :—

1820	1851	1871	1873	1881	1891	1895	1901
35	45	54	55	67	84	98	100

These figures must not be used indiscriminately. They merely state that with the average income there could be obtained in 1901, three times as much of many of the commodities commonly consumed, directly or indirectly, as could be obtained with the average income in 1820 ; and similarly for the other years.

Rent value of land, the difference between wholesale and retail prices, the price of personal services, rendered directly or by officials, are not taken into account. They would probably diminish the rate of increase.

Wages alone are not a sufficient index of the progress of the industrial classes; we must also consider the regularity of employment, the hours of labour, the purchasing power of wages and the amount which the workers are able to save.

*Employment.*¹—For skilled labourers the returns of the Trade Unions will afford information. The index number of employment based on information relating to all Trade Unions making returns in any year is given in the Blue Book, Cd. 4954 (1900 = 100·0), and the highest and lowest index in each period are as follows :—

			1860-9	1870-9	1880-9
Highest	..	..	100·7 (1865)	101·5 (1872)	100·4 (1889)
Lowest	..	..	95·6 (1868)	91·5 (1879)	92·7 (1886)
			1890-9		1900-8
Highest	..	..	.. 100·4 (1890 and '99) ..		100·0 (1900)
Lowest	..	..	.. 94·6 (1893)	..	93·6 (1908)

¹ Cd. 4954, p. 223.

In the engineering, shipbuilding, and metal trades the fluctuations are generally the same as in other trades. In 1908, the unemployment was worse than in any year since 1860, except 1879, 1885, 1886. The figures are, unemployed: 1879, 15·3 per cent.; 1885, 12·9 per cent.; 1886, 13·5 per cent.; 1908, 12·5 per cent. The returns of employment in the skilled trades thus afford little evidence of improved conditions.

For unskilled labourers the number of paupers relieved affords a rough test, as the unemployed unskilled labourer easily falls into the ranks of those seeking relief.

The ratio of paupers to the population of the United Kingdom¹ has fallen from 3·8 per cent. on an average of the years 1855–1859 to 2·5 per cent. in the years 1905–1909. In England and Wales it has fallen from 4·7 per cent. to 2·6 per cent.; in Scotland from 4·2 per cent. to 2·3 per cent. in the same period.² In Ireland the proportion of paupers to the population has risen from 1 per cent. to 2·3 per cent. in the same period. With regard to these figures it should be observed that in future the Old Age Pensions will have an effect on the returns of pauperism which must not be forgotten.³

Savings Banks Deposits.—During the five years, 1898–1903, the membership of friendly societies increased by two millions, and their accumulated funds by £9,750,000. Co-operative societies increased their membership by half a million and their assets by £13,233,330. In railway savings banks

¹ Cd. 4954, pp. 226–233.

² The figures for Scotland and Ireland are for 1905–8.

³ Schulze-Gaevernitz, p. 255, cites the remarkable decrease of the number of persons convicted in England and Wales; but it is, perhaps, carrying the argument rather far.

the depositors increased by nearly 12,000, and the deposits by £1,250,000, while in trustee and post office savings banks depositors increased in number by nearly two millions, and deposits by upwards of £35,000,000.¹

The total amounts received in Trustee Savings Banks alone are as follows :—

ANNUAL AVERAGE.					
					£
1876-80	..	..	..	..	44,000,000
1881-85	..	..	..	..	45,000,000
1886-90	..	..	..	..	46,000,000
1891-95	..	..	..	..	43,000,000
1896-1900	..	..	..	..	50,000,000

N.B.—Comparisons with foreign savings banks are fallacious owing to non-identity of principle.

The deposits in the Post Office Savings Banks are as follows :—²

ANNUAL AVERAGE.					
					£
1876-80	..	..	..	..	30,000,000
1881-85	..	..	..	..	40,000,000
1886-90	..	..	..	..	59,000,000
1891-95	..	..	..	..	83,000,000
1896-1900	..	..	..	..	123,000,000

Bowley points out that the deposits in all savings banks in the thirty years, 1872-1903, increased from £59 millions to £213 millions.³

It must be remembered, moreover, that the savings of the labouring population are, to a very large extent, in friendly societies, in co-operative

¹ Brassey, "Sixty Years of Progress and the New Fiscal Policy," pp. 17-18. Schulze, p. 255, quoting *Journal of Royal Statistical Society*, September 30, 1903. Cf. Statistical Abstract, 1908.

² Schulze-Gaevernitz, "Britischer Imperialismus und Englischer Freihandel," p. 255.

³ Brassey, "Sixty Years of Progress and the New Fiscal Policy," p. 21-22.

societies, building societies, trade unions, and in smaller societies, such as railway savings banks.¹ All these have enormously developed during the last sixty years.

Brassey quotes the following statistics from "The Economist":—²

SAVINGS OF THE PEOPLE, 1903.

	Number of Members.			Funds. £	
Building Societies	601,204	..	66,197,227		
Friendly Societies	13,414,182	..	47,666,118		
Co-operative Societies	2,171,642	..	45,369,891		
Trade Unions	1,575,375	..	5,260,189		
Workmen's Compensation Schemes ..	117,619	..	181,432		
Friends of Labour Loan Societies ..	33,590	..	258,303		
<hr/>					
Total Registered Provident Societies ..	17,913,612	..	164,933,157		
<hr/>					
	Depositors.			Deposits. £	
Railway Savings Banks	56,027	..	5,024,146		
Trustee Savings Banks (including investments in stock and special investment accounts)	1,687,661	..	59,352,927		
Post Office Savings Bank (including investments in Stock).. .. .	9,403,852	..	162,300,695		
<hr/>					
Total certified and Post Office Savings Banks	11,147,540	..	226,677,768		
<hr/>					
Grand Total	29,061,152	..	391,610,925		

Attempts have been made to institute a comparison between the savings banks of the United Kingdom and those of foreign countries, and to draw thence an inference as to relative prosperity.³

In a recent publication, the following "point" appears:—

¹ Brabrook "Provident Societies."

² Brassey, "Sixty Years of Progress and the New Fiscal Policy," p. 18.

³ Cf. *Statistical Journal*, January, 1910, pp. 19, 20. Webb.

DEPOSITS IN SAVINGS BANKS.

<i>United States.</i> (Present population 86,000,000)			<i>Prussia.</i> (Present population 37,000,000)			<i>United Kingdom.</i> (Present population 44,000,000)		
£			£			£		
1875	..	185,000,000	..	50,000,000	..	68,000,000		
1898	..	405,000,000	..	250,000,000	..	173,000,000		
1907	..	699,000,000	..	439,000,000 (year 1906)	..	210,000,000		
Increase since								
1875	..	514,000,000	..	389,000,000	..	142,000,000		
Increase								
per cent.		278	..	778	..	209		

Now, it will be obvious from the figures quoted above, that the figures here given with regard to the United Kingdom, take no account of the sums deposited with the registered friendly societies and other working-class societies, which in 1903 amounted to over 70 per cent. of the deposits in post office and trustee savings banks.

Further, we have, under the common designation savings banks deposits, essentially unlike things in the three different countries.¹

In the United Kingdom savings banks deposits, post office and trustee, are limited to a maximum of £200 in respect of any one person, while there is no limit for registered friendly societies. In Prussia the maximum deposit varies from £25 in some banks to £2500 in others. In the majority of the States of the American Union, there is no limit at all to the deposits which an individual may make, while in the remaining States the maximum varies from £200 to £1000. Comparison, under this head, is thus obviously futile.

During the last fifty years the hours of labour have also been decreased, partly no doubt owing to

¹ *Statistical Journal*, January, 1910, Webb, p. 20.

the legislation referred to above and partly owing to the action of Trade Unions. Moreover, the purchasing power of money has increased. Mr. Asquith stated at Cinderford in 1903¹ (October 8) that 100s. buys as much as 140s. twenty years ago; but in this connection it must not be forgotten that there has been a considerable rise in prices in the last few years.²

Lord Goschen in a speech in 1903 (October 16) commented on the fact that the United Kingdom is not a corn growing country, that we import 78 per cent. of our corn supply, yet our price of wheat is much below that of Germany.³ On an average of a series of years it has been about 7s. a quarter less than the price in Germany, and from 8s. to 12s. below the price of wheat in France. But when we attempt to compare prices, rates of wages and hours of work in the United Kingdom by index numbers with those prevailing in protectionist countries we find many difficulties. For instance, the Board of Trade Reports declare that, taking the basis of the ordinary English standard of consumption, the expenditure of the workman on food and fuel is to his expenditure in England, in Germany 118 : 100 ; in France 118 : 100.⁴ Further, weekly money wages in certain selected trades are to those prevailing in England, in Germany 83 : 100 ; in France 75 : 100 ; while the average working hours per week are to those prevailing in England, in trades selected for comparison, in Germany 111 : 100 ; in France 117 : 100. The information at our disposal is contained in the Board of Trade Reports, Cd. 4512, on

¹ Gilmour, "Fiscal Controversy," p. 65.

² Cf. Cd. 4954, p. 203.

³ Gilmour, "Fiscal Controversy," p. 133. Cf. Cd. 4954, p. 206.

⁴ Cd. 4032. Cd. 4512.

the cost of living in French towns, and Cd. 4032 on the cost of living in German towns.

In the first place, it will be seen that the agricultural labourer has no place in this inquiry. Next, with regard to prices, there is a difference in the periods of time for which the statistical returns were collected. The returns for the British working class Budgets were collected during the years 1903-4, the German Budgets during 1906-7, the French Budgets during 1907-8, and no allowance is made for changes in prices between the different periods.¹

With regard to wages, there is, in comparing different countries, inadequate definition and non-identity of definition in several particulars. In the first place certain trades are selected in each country for comparison. The men in the trades do not bear the same proportion to the whole population in the different countries. In other words, we do not know what numbers are earning the wages specified.

Again, according to the Board of Trade Report, the comparison being based on a limited number of trades only, there is room for some doubt as to how far the conditions in such trades may be taken as generally typical of the condition of the country.²

With regard to the trades actually compared, the British wages are the standard time rates recognized by the Unions. The French and German rates, on the other hand, are based in most cases on returns of actual earnings in an ordinary week, and the two are consequently not strictly comparable. Moreover, we cannot with any accuracy compare the wages, *e.g.* of a British fitter with those of a French or

¹ See Cd. 4032, p. xlv. and Cd. 4512, p. xliii.

² Cd. 4512, p. xlv.

German fitter.¹ There is little evidence to show that they are engaged on the same work. Again, in regard to Germany, it appears that the German workman receives far more than the British workman in supplementary wages. Then the question arises how far are the returns of the Board of Trade likely to be accurate? With regard to Germany the Board of Trade issued a great number of question papers to Trade Unions and other workmen's societies in which were to be entered the earnings of workmen's families and their expenditure on food during a normal week. It is possible that the investigation was made in the slack or busy season of a particular trade. Further, small extra earnings were likely to be omitted, and on the expenditure side, holiday expenses, cost of clothing, and renewal of furniture. The evidence of the normal week is thus at best a rough one.

The German Imperial Statistical Office instituted an inquiry on the same subject, but extending over the whole year. There is, however, a far smaller number of budgets than in the English inquiry; but the result shows a striking difference between the two inquiries in regard to the percentage of working class incomes spent on food. It seems probable that the German figures are nearer the truth.

It will be seen that, with the existing statistics, it is impossible to express by index numbers the relation of prices and wages obtaining in protectionist countries such as Germany and France to those of the United Kingdom. At most a general impression can be established.

I have dealt with these figures at some length because it is necessary to point out in detail in one

¹ Cf. *Statistical Journal*, January, 1910, p. 62-3.

instance the difficulties and dangers of such statistical comparisons. Germany, as a field of statistical comparison with the United Kingdom presents far greater difficulties than would at first sight appear. Even in the simplest facts there are pitfalls, because the German statistical year does not coincide with the English. Within the British Empire itself there is no common statistical method as well as no common statistical year.

Free Traders can, therefore, easily attempt to prove too much, and they have often been warned by their best friends against claiming too much of the marvellous progress of the last sixty years for the commercial system which they support. Nevertheless it is impossible to deny that it has in the past undoubtedly served its purpose, whatever may be the prospect for the future offered by the system which we are next to investigate.

CHAPTER II

IMPERIAL PREFERENCE

WITH the abandonment of Protection in the forties and fifties, the preference to the Colonies also disappeared, the general attitude in Colonial questions being that of allowing things to take their own course. This attitude was the traditional policy officially accepted by the Colonial Office and by both political parties as late as the seventies.

But since the eighties the Colonies have assumed a position of ever-increasing importance in the view of the Mother Country.¹ By the end of the century the centre of gravity appeared to have shifted from the United Kingdom to the Empire.

At first the guiding star seemed to be that of the political union of the Empire, the interest of Great Britain to be merged in the interest of the Empire as a whole. This had been the essence of the policy of the Imperial Federationists and was adopted by Mr. Chamberlain when he declared that our future lay in the Empire. "We are old and laden with honours, our future cannot rival the greatness of our past. But the Empire is young and in the Empire we may find a future greater than anything upon which we look back."² (Liverpool, October, 1903).

¹ *Royal Colonial Institute Proceedings*, 1904-5. Pollock.

² Schulze-Gaevernitz, "Britischer Imperialismus und Englischer Freihandel," p. 168.

The second point of view was that of trade expansion within the Empire. In the nineties the United Kingdom was confronted by trade rivals on the Continent, no longer struggling against each other, but bound together by a series of commercial treaties in which the United Kingdom had no share. If, as seemed to be the case, the United Kingdom has reached almost the limit of its development with regard to European Markets, where is an outlet to be found? The answer is, on this view, within the Empire. The Colonies take from us far more exports per head of their population than the Continental countries and the United States. With their possibilities of vastly increasing population are not they the expanding markets of the future? Must not the United Kingdom secure them?

The third idea was that of checking the commercial development and hence the expansion of foreign maritime powers by closing British markets.¹ If this is done we may expect that our foreign competitors will concentrate their efforts on the neutral markets which, as will be shown, are of great importance to the United Kingdom.

With regard to the idea of the closer political union of the Empire, we must observe that it covers a far wider sphere than that of trade. Mr. Chamberlain at the Colonial Conference in 1902 dwelt upon the unequal burdens borne by the Mother Country and the Colonies in the defence of the Empire, the United Kingdom paying 29s. 3d. per head, Australia 3s. 5d. and Canada 2s. This division of the burden could not be maintained. Especially he urged that the Colonies should give greater financial aid for the

¹ Schulze-Gaevernitz, "Britischer Imperialismus und Englischer Freihandel," p. 174.

Navy. This view is also strongly held by Sir C. Follett,¹ who considers that our sole means of escape from our eventual inability to meet our inevitable expenditure (which will, he calculates, be enormously increased in the future), will be found in the consolidation of the Empire. The only way in which our burden can be lightened will be "by converting our isolated 42 millions into a vast Federated Empire of hundreds of millions all sharing common burdens." Both Sir C. Follett and Mr. Garvin regard with anxiety the fact that the balance of population is turning heavily against us as compared with our rivals in Germany and the United States. From this point of view the question of emigration and its direction within the Empire becomes one of pressing importance, and therewith the problem of giving the most careful and practical training to such population as we have.

With regard to defence, the suggestion made by the late Mr. Hofmeyr at the Colonial Conference of 1887 that a duty of two per cent. should be levied all round the Empire on all imports of foreign origin, the proceeds to be earmarked for the purposes of Imperial Defence and especially Naval Defence, remains unique.² Such a proposal, be it observed, if carried out would involve an enormous burden on the taxpayer of the United Kingdom as compared with that borne by the self-governing Colonies.

Latterly the trend of the discussion has been more to neglect the wider political issues and to regard the question of Imperial Preference as of the highest importance. The question of trade thus takes precedence of the political question, and the opinion was

¹ *National Review*, September, 1905.

² Cf. Deakin, Colonial Conference (1907) Minutes, p. 231.

held by Mr. Chamberlain, Sir C. Follett, and many others, that commercial union must precede political union, and union for defence.¹ (For the counter argument, see *infra*).

The History of the Movement.—Already at the Colonial Conference of 1887 the self-governing Colonies officially broached the question of preferential treatment in the markets of the Mother Country, but the idea received no encouragement from the Home Government.² In 1894 the representatives of the Colonies assembled at Ottawa, passed a resolution in favour of reciprocity between the different Colonies and the Mother Country and also in favour of reciprocity amongst themselves if the Mother Country should not deem the former a possible course. In fact, the utmost importance was attached to closer commercial union by those assembled at the Conference.

In 1896, at a banquet at the Canada Club in London, Mr. Chamberlain, then Colonial Secretary, broached the idea of a Zollverein, an inter-imperial Customs Union. Free trade was to reign within the Empire, and a common fiscal policy was to be adopted towards foreign countries. This suggestion was, however, rejected by the Colonies who, for revenue reasons, found it impossible to dispense with their tariffs.

When, therefore, the subject came up again at the Colonial Conferences of 1897 and 1902, there was no question of a universal measure. The resolutions adopted were in favour of a preferential policy, and the resolutions of 1902 were re-affirmed at the Conference of 1907.³

¹ But N.B. Imperial Defence Conference of 1909.

² Schulze-Gaevernitz. "Britischer Imperialismus und Englischer Freihandel," p. 112.

³ Colonial Conference (1907) Minutes, pp. 228-9.

In the meantime a first step had been taken by Canada. In 1897 she granted to British imports a preference which was in 1900 raised to 33½ per cent. The example of Canada was followed subsequently by South Africa, New Zealand, and to some extent by the Australian Commonwealth. In 1903 only Canada and South Africa had actually given a preference. The other Colonies had expressed their readiness to adopt this policy.

Mr. Chamberlain himself declared that Canada had taken the step "freely and voluntarily of her own accord, as a recognition of her obligations to the Mother Country." Sir Wilfrid Laurier, the Canadian Premier, stated expressly that it was no *quid pro quo*, that he did not ask anything in return. Yet Mr. Chamberlain made it appear that the offer of the Colonies was one which must be reciprocated if the Empire were to be kept from dissolution altogether. He made it a question of "now or never."

Sir W. Laurier at the Colonial Conference of 1907, declared¹ that "nothing could be more detrimental to the existence of the British Empire than to force upon any part of it even for the general good a system which would be detrimental locally or might be considered to be detrimental locally."

The Problem.—We have, then, to consider the question of Preference equally from the point of view of the United Kingdom and that of each province of the Empire.

It is asserted that the increase in the external trade of the United Kingdom is due to increased trade with the British Possessions, the trade with foreign countries remaining stationary. It will,

¹ Colonial Conference Minutes (1907), p. 411.

however, be seen that with regard to both exports and imports the proportions have remained fairly constant.

EXPORTS.¹

Annual average.	To Foreign Countries.	Proportion to total	To British Possessions.	Proportion to total.
	Million £.	Per cent.	Million £.	Per cent.
1860-4	92	66·6	46	33·4
1870-4	175	74·4	60	25·6
1880-4	153	65·5	81	34·5
1890-4	156	66·5	78	33·5
1895-9	157	65·9	81	34·1
1900-4	177	62·7	106	37·3
1905-8	245	66·6	123	33·4

Statistical Abstract, September, 1910, p. 155. 1909 Exports to foreign countries, £252,000,000 (approx. 66·7 per cent.); to British Possessions, £126,000,000 (approx. 33·3 per cent.). These figures include ships and boats (new) and their machinery. The figures for 1908, including new ships and boats, were, to foreign countries, £251 millions; to British Possessions, £126 millions; for 1907, to foreign countries, £289 millions; to British Possessions, £137 millions. (Cd. 5296, 1910, p. 155.)

It will be seen that the proportion of exports to foreign markets was very high in 1870-4, and the proportion to the British Possessions very high in 1900-4. But in the former case the Franco-German and in the latter case the South African War introduced a specially disturbing element. Generally speaking, the exports to British Possessions have remained since 1860 about half the exports to foreign countries.

IMPORTS.²

The proportion of imports from British Possessions to the whole was in 1860-4, 28·8 per cent; in 1865-9, 24 per cent.; in 1870-4, 22 per cent.; in 1880-4, 23·5 per cent.; in 1890-4, 22·9 per cent.; in 1895-9, 21·6 per cent.; in 1900-4, 20·8 per cent.; and in 1905-8,

¹ Cd. 4954, pp. 26-7.

² Cd. 4954, pp. 22-3.

23·1 per cent.¹ That is to say, the British Possessions have supplied rather less than one-fourth of the imports since the later sixties.

We may still, however, be inclined to admit that the European countries and the United States do not offer an expanding market. The designation of "foreign countries" includes many outside these and it is more fruitful to compare the exports of the United Kingdom to the principal protected foreign countries with those to all other foreign countries.

The principal protected foreign countries are Russia, Germany, Holland, Belgium, France, Spain, Portugal, Italy, Austria-Hungary, Switzerland and the United States.

EXPORTS.²

Annual average.	To principal foreign protected countries.	Proportion to total.	To all other countries.	Proportion to total exports.
	Million £.	Per cent.	£.	Per cent.
1880-4	99·6	42·5	134·7	57·5
1890-4	95·0	40·5	139·4	59·5
1895-9	94·7	39·8	143·1	60·2
1900-4	103·4	36·6	179·3	63·4
1905-8	133·5	36·2	234·9	63·8

The increase in our exports has thus been greatest to the countries other than the principal protected areas.

It is, however, important to examine what countries are included under the designation "all other countries," among which are those sometimes termed, "neutral foreign markets."³ These include the following groups :—

¹ Statistical Abstract for United Kingdom, 1910, pp. 75-77 (worked out). The proportion of imports from British Possessions in 1909 was 23·5 per cent. approximately.

² Cd. 4954, p. 70.

³ "The Empire and the Century," Garvin, "Maintenance of Empire," p. 95.

1. Scandinavia.
2. The Near East, etc.
3. The Far East.
4. South and Central America (except Argentine).
- 5. Argentine.
6. French, German, Spanish, and Portuguese Colonies and Congo.

1. With regard to the Scandinavian countries,¹ it appears that there is practically no reason why they should be classed as neutral countries. As far as British goods are concerned the Swedish tariff is practically as severe as the German. Denmark maintains duties which amount on an average to 18 per cent. on British manufactures, while the Norwegian duties on manufactured imports amount to about 12 per cent. *ad valorem*. The Scandinavian countries are thus more protective than Holland and Belgian, which are, however, classed among the "principal protected countries," owing to the difficulty of distinguishing the transit trade to Germany.

The *geographical position* of Germany is of great service to her in the Scandinavian markets, in which she is extending her hold, while the exports from the United Kingdom show little advance. We cannot, in face of Germany's geographical advantage, hope for much improvement in our position in Scandinavia, in spite of the fact that our system of free imports is of great benefit to Denmark.

2. The Near East, Middle East, Morocco. The group of States stretching from Gibraltar to the Persian Gulf.

In this region we must expect the competition of Italy, who enjoys the same geographical advantage

¹ Garvin, "The Empire and the Century," p. 96.

in the Mediterranean which Germany enjoys in the Baltic, and of Germany and Austria, which are beginning to dominate the Balkans.

Turkey and Egypt are the two most important markets as far as British interests are concerned; and of these the trade with Egypt is, for political reasons, only nominally foreign.

In Turkey British trade had been stationary or declining for forty years before 1905,¹ while Germany had doubled her trade, as a result of the policy inaugurated by the Kaiser. During the years 1906 to 1908 the United Kingdom at length made an advance in Turkey. The commercial position, however, depends on political development in the Near East. It remains to be seen whether the German dream is capable of realization—the dream of an extension of the Zollverein system to the Austrian Empire, the Balkan Peninsula and Asia Minor—notwithstanding Austria's recent loss of her hold on the trade of Turkey.

In Morocco, France, who occupies the position which the United Kingdom holds in Egypt, has recently found herself threatened by the competition of Germany.

3. The New Far East.² The dominant issue in the Far East, is the rise of Japan. Japan, who, after her war with Russia, is in the position in which Germany stood in 1870, is ready to supply herself with the appliances for the development of a great power.³ The Japanese Government is prepared to invest millions in the purchase of industrial machinery and already Japanese textiles (woollen) are beginning to compete in Far Eastern markets.

¹ Cd. 4954, p. 37.

² Garvin, "The Empire and the Century," p. 98.

³ *Ibid.* pp. 99–101.

By means of taxes levied on exports to foreign countries Japan reserves to herself the trade of her Colony Formosa,¹ and thus advances her commerce with great rapidity.

Side by side with the industrial development of Japan, her trade with the United Kingdom has gone forward with great strides.² Since 1904, United Kingdom exports to Japan have more than doubled.³ We see in this development of Japan, an indication of the policy which must guide our future action.

A basis should be found for a commercial alliance with Japan, an alliance on a sound financial footing which will gain the support of the rising commercial class in the Far East.

How much the United Kingdom will in the immediate future stand in need of an understanding with Japan, is obvious from the latest development, the introduction of the new Japanese tariff.

The new Japanese Tariff comes into force on July 17, 1911, the date of the termination of the Conventional treaties with Great Britain,⁴ Germany, and France, according to notice given. The new tariff contains no schedule of Conventional duties, because new treaties have not yet been arranged.

As regards the effect of the new duties,⁵ it is estimated that the average will be an advance of two-thirds upon the average of existing rates on

¹ Garvin, p. 101.

² Cd. 4954, p. 41.

³ Since this was written, the new Statistical Abstract, Cd. 5296, has been published, and this statement no longer holds good. The exports of the United Kingdom to Japan in 1909 show a great decline, and are below the figures of the four preceding years, and of 1900. It must, however, be noted that these figures, Cd. 5296, p. 153, do not tally with those of Cd. 4954, p. 41. The British imports from Japan in 1909 show a marked increase. Cd. 5296, p. 73.

⁴ Cf. *Times*, August 6, 1910.

⁵ Tariff Commission, MM. 42, July 25, 1910.

British goods ; while on goods from all countries the increase in the average is only 50 per cent.

The decreases of duty affect such manufactures as planing machines, knitting machines, and spinning plant, which are necessary to the growing industries of Japan, and which Japan does not as yet make for herself.

The increases of duty appear to be chiefly in the industries which Japan has established or expects to develop. They are especially large in the case of cotton and woollen yarns and cloths, iron and steel goods, printing machines, leather goods, and paper. The dutiable imports from the United Kingdom are about one-third of the total from all countries. But the United Kingdom sends about one half of the articles which have to bear the principal increases of duty. The duties on those classes of cotton goods in which Great Britain predominates are exceptionally heavy.

The most important increases from the point of view of British trade are those on textiles, which appear in the tariff under the headings of Yarns and Tissues. Ordinary single or double cotton yarns are to be subject to rates representing increases on the present duties of from 40 to 250 per cent.

The new duties on woollen and worsted yarns show increases of from 30 to 120 per cent. Large increases are also shown in linen yarns, twines and silk yarns. On cotton piece goods the new duties are from two to five times the present duties ; on army cloths from three to five times, on woollen coatings from one and a half to four times ; and on serges six times the present duties. It is estimated that with regard to the increased duties on printing machines, levied on a weight basis, the heavier weights

of British makes, as compared with those of Germany and the United States, will severely handicap British exports.

It is anticipated that the effect on British exports, especially as regards Lancashire and Yorkshire productions, will be most adverse. The present Lancashire trade with Japan is somewhere about £2 millions. According to the estimate of some British traders, the effect of the new Japanese tariff, if it comes into force without alteration, will be to curtail, in many cases to stop altogether, the import of many articles of British manufacture. Manchester piece goods will be particularly heavily hit, as many of these, from being necessities, will be converted into the rank of luxuries, and their place will be taken by Japanese made goods of inferior quality; *e.g.* the finer class of Manchester cottons will be made relatively dearer as compared with silk mixtures made in Japan.

The total annual exports of the United Kingdom to Japan averaged during the years 1905-8 £11 millions.¹ It is estimated that under the new tariff British goods to the value of £700,000 to £1 million are likely to be excluded.²

Count Komura, the Foreign Secretary of Japan, is reported as having said, in an official statement of Japanese policy, that as Great Britain has "what is called a Free Trade policy, there is no room for a convention with that country." The position of Lancashire, the stronghold of that Free Trade policy, thus becomes extremely difficult.

4. *South and Central America* (except the

¹ Cd. 4954, p. 41.

² The whole of this account is from the Tariff Commission MM42, July 25, 1910.

Argentine).—According to Garvin,¹ the great factor to be considered is the attempt of the United States to dominate these markets. The States are of opinion, that they have but to subsidize lines of steamers down both coasts of the Continent in order to secure the bulk of the trade of the Central and Southern countries.

In the central republics, the United Kingdom has suffered from the competition both of the United States and of Germany. In South America, the United States already have a preferential treaty² with one state—Brazil—of which the coffee trade is dependent on the United States market. The Brazilian Government as a result granted in 1904 a special tariff reduction of 20 per cent. on certain articles imported from the United States. This arrangement has had no ill effect on the exports of United Kingdom produce to Brazil, which in the period 1905–8 and in 1909 have shown a slight increase on the low level of the preceding ten years :—³

ANNUAL AVERAGE.

						£
1885–89	..	..	..	..	..	6,000,000
1890–94	..	..	..	..	..	8,000,000
1895–99	..	..	..	..	..	6,000,000
1900–04	..	..	..	..	..	5,000,000
1905–08	..	..	..	..	..	8,000,000
1909	..	..	..	..	..	8,500,000

Moreover, imports⁴ from Brazil increased from £6,000,000 in 1900–4 to £9,000,000 in 1905–8, and to £11,000,000 in 1909.

At the same time trade with Chili,⁵ always a very small amount, shows a distinct increase.

¹ Garvin, "The Empire and the Century," p. 102.

² *Ibid.*, p. 104.

³ Cd. 4954, p. 39 ; Cd. 5296, p. 155.

⁴ Cd. 4954, p. 31 ; Cd. 5296, 1910, p. 75.

⁵ Cd. 4954, pp. 31 and 39.

5. *The Argentine*.—British trade with the Argentine must be considered apart from trade with South America. Since 1880, it has proceeded thus¹:—

	Exports from United Kingdom to Argentina.	Imports to United Kingdom from Argentina.
	£	£
1880-4	4,000,000	1,000,000
1885-9	7,000,000	2,000,000
1890-4	6,000,000	5,000,000
1895-9	6,000,000	9,000,000
1900-4	8,000,000	16,000,000
1905-8	17,000,000	28,000,000

The figures for 1909 are: Exports of United Kingdom produce to the Argentine, £19,000,000; imports from the Argentine into the United Kingdom, £32,000,000.

Our imports of wheat grain from the Argentine,² which were 4 million cwts. in 1898 and 18·5 million cwts. in 1900, amounted in 1908 to 31·7 million cwts. This was the greatest quantity of wheat grain imported from any one country in 1908 (not excepting the United States); though, if flour be added, the import from the Argentine is surpassed by the import from the United States.³

British goods pay duty in the Argentine market at the *ad valorem* rate of 28 per cent.⁴ This is the highest rate levied in any neutral market.

In the United Kingdom these great quantities of corn compete on the same terms with Canadian

¹ Cd. 4954, pp. 31 and 39, and Cd. 5296, 1910, pp. 75 and 155.

² Statistical Abstract for the United Kingdom, 1894-1908, p. 140-1.

³ Statistical Abstract for the United Kingdom, p. 143. The latest Blue Book, Cd. 5296, Statistical Abstract, 1895-1909, pp. 141-143, shows that, in 1909 the quantity of wheat imported from the Argentine fell to 20 million cwts., and that from the United States to 16 million cwts. With flour the figures are: United States, 26 million cwts.; Argentine, 20 million cwts.

⁴ Garvin, p. 105.

corn, and Argentine wool with Australian wool. In the Argentine the United Kingdom receives no preference over, *e.g.* Germany, in whose markets Argentine corn is subjected to a duty of 11s. a quarter.¹

Capital from the United Kingdom is largely invested in the Argentine, which is, in fact, a kind of commercial colony,² the trade is of great value to us, and the question of some treaty of reciprocity with the Argentine might well be considered.

6. *French, German. Spanish and Portuguese Colonies and the Congo.*—Trade with these markets is included in the Blue Book, Cd. 4954, under the general designation “other foreign countries” (p. 41). British exports to these markets have increased thus :—

ANNUAL AVERAGE.						£
1880-4	..	..	..	..	..	30,000,000
1890-4	..	..	..	..	..	31,000,000
1900-4	..	..	..	..	..	39,000,000
1905-8	..	..	..	..	..	51,000,000

It must, however, be remembered that trade to the Portuguese Colonies, comprised under this head, includes trade to Delagoa Bay in Portuguese East Africa.³ This trade is entirely accounted for by the development of the Transvaal, and is really Imperial trade.

We have thus analysed our trade with the foreign countries other than the “principal protected foreign countries,” so-called. We find that the increase has taken place in both exports and imports from the Argentine and Egypt (only nominally foreign trade) ;⁴

¹ Garvin, “The Empire and the Century,” p. 106.

² Cf. Sir E. Grey, Argentine Centenary Celebration, *Times*, May 26, 1910.

³ Garvin, “The Empire and the Century,” pp. 93-5.

⁴ Cd. 4954, pp. 29-31 and 37-41.

and in exports to Japan and China, and to "other foreign countries," accounted for by exports sent through Portuguese East Africa to the Transvaal, really Imperial trade.

When we come to examine the destination of our manufactured goods, which in 1905-8 amounted to £294·7 millions out of £386·5 millions of our exports,¹ we find that whereas in 1880 the principal protected foreign countries took about 42 per cent. of our export of manufactured articles, in 1908 they took only 31 per cent., and that in actual amount, until the three years 1906-8 there was a decline from the level of 1880.²

Thus, from the point of view of the United Kingdom, it would seem as if it was outside Europe that a stimulus must be sought for its trade.

Moreover, the Colonies look to the United Kingdom for their development. They are young growing countries, and the United Kingdom offers the widest market in the world.

Hence the ideal of a self-sustaining and a self-sufficing Empire was put forward; but it will be seen that this ideal and Colonial Preference are contradictory.³ If the Empire attains self-sufficiency, Colonial Preference must go.

This leads us to the question whether a system of Colonial Preference would bind the Empire together, and here *in limine* we ask: To what Colonial articles could a preference be given in the market of the United Kingdom? A preference on manufactured goods would be of little value to the self-governing

¹ Cd. 4954, p. 59.

² Cd. 4954, p. 76. This question is dealt with in detail below, in the chapter on Tariff Reform.

³ Schulze-Gaevernitz, "Britischer Imperialismus und Englischer Freihandel," p. 173.

Colonies, who exported to us a few years ago manufactured goods of only £5½ millions in value.¹

Mr. Chamberlain at Glasgow (October 6, 1903) reiterated his determination not to give a preference on raw materials. There remains only food. In the Glasgow speech Mr. Chamberlain made certain concrete proposals, namely, (1) a duty on foreign corn not exceeding 2s. a quarter ; (2) a small tax of about 5 per cent. on foreign meat and dairy produce.

Have these proposals been adhered to ? Professor Ashley,² quoting the hand-book for speakers published by the Birmingham Tariff Committee, declares that the nearest approach to an authoritative statement is 2s. or 3s. a quarter, with an exemption for the Colonies, now perhaps only "partial." Lord Goschen, speaking in October, 1903, declared that some protectionists had avowed a desire for a 5s. duty on corn.³ If "the Empire in danger" has secured 2s., is it not a possibility that "the Empire still in danger" might secure more. In other words, is the 2s. going to be final ?⁴ It is this uncertainty which kills. In putting a duty on corn we should be taking a step which, as we shall see below, would probably have a far-reaching effect on the whole nation, and especially affect the poorest classes, while the Colonies, on their side, are not proposing to handicap themselves to anything like the same extent. The compensation must be very great or the danger overwhelming before we could consent to take the step.

¹ Asquith, Colonial Conference (1907) Minutes, p. 318.

² Ashley, "Tariff Problem," p. 168.

³ Gilmour, 'Fiscal Controversy,' p. 139.

⁴ In this connection, it must be noted that Mr. Austen Chamberlain has declared that 2s. a quarter on foreign wheat is the *maximum* duty proposed by Tariff Reformers, and that Colonial wheat will be free. (Letter, *Times*, November 22, 1910.)

From the point of view of the Imperialist, the Colonies have made certain proposals at Colonial Conferences and on other occasions, and have in some cases (*e.g.* Canada) taken certain steps which must not be disregarded but must receive immediate consideration from the Mother Country.

But since "preference begins as a business operation to be conducted for business ends,"¹ we may legitimately ask, what would the United Kingdom gain by preference (1) in the Dominion of Canada, (2) in Australia and New Zealand, (3) in the Indian Empire, (4) in South Africa ?

(1) Canada took the initial step and granted the United Kingdom a preference, since raised to 33½ per cent. But Canada has a free list for a number of raw and semi-raw materials. We cannot benefit by this, because we send no such articles to Canada. On the other hand, the United States, from the nature of their exports benefit largely.

Notwithstanding our preference, the United Kingdom pays an average *ad valorem* duty equal to that paid by the United States, namely, 25 per cent.² Over all goods, taking the dutiable as well as the free, the average *ad valorem* rate, after allowing for the preference, is 19 per cent. on the United Kingdom, and 13 per cent. on the United States goods.

The Canadian "Report of the Department of Trade and Commerce, 1909,"³ states the average *ad valorem* duty paid by British imports, in the fiscal year ended March 31, 1909, as 25·755 per cent.; of the United States imports, 24·868 per cent.; and over all goods, taking dutiable as well as free,

¹ Deakin, Conference (1907) Minutes, p. 263.

² Asquith, Conference (1907) Minutes, p. 313.

³ Dominion of Canada, "Report of Department of Trade and Commerce," Part I., p. 15.

the average *ad valorem* rate, after allowing for the preference, is 19·028 per cent. on United Kingdom goods, as against 13·247 per cent. on United States goods.

It must be remembered, however, that the preference has narrowed the difference between the average rate of duty paid by United States imports and the higher rate paid, owing to their nature, by British goods. The Canadian "Report of the Department of Trade and Commerce," 1909,¹ shows the following :—

Average *ad valorem* rates of duty collected on imports from :—

	United Kingdom.		United States.	
	Average on dutiable imports.	Average on total imports.	Average on dutiable imports.	Average on total imports.
1890	28·788	22·129	26·579	15·821
1895	30·056	22·559	26·739	13·746
1900	25·583	18·235	25·032	13·217
1905	24·770	18·513	26·118	13·501
1908	24·245	18·286	24·585	13·258
1909	25·755	19·028	24·868	13·247

It thus appears that before the preference the United Kingdom imports paid an average *ad valorem* duty more than 3 per cent. higher than that paid by the United States (1895). And over all goods, free as well as dutiable, the United Kingdom rate was nearly 9 per cent. higher than the United States rate (1895), instead of 6 per cent. higher, as in 1908.

The United Kingdom has benefited by the expanding trade of Canada, but the United States have shared much more largely in the expansion.

¹ Part I., p. 15.

The Dominion of Canada "Report of the Department of Trade and Commerce" for the Fiscal Year ended March 31st, 1909, Part I., gives the following figures :—

Values of merchandise entered for consumption in Canada.¹

IMPORTS FROM UNITED KINGDOM.

	Dutiable.	Free.	Total.
	\$	\$	\$
1893	31,869,267	10,660,073	42,529,340
1896	24,366,179	8,458,326	32,043,461
1898	22,556,479	9,486,982	44,279,983
1901	31,701,654	11,118,341	42,819,995
1904	44,939,829	16,784,787	61,724,616
1906	52,615,725	16,568,190	69,183,915
1908	71,212,207	23,205,107	94,417,314
1909	52,219,881	18,462,220	70,682,101

IMPORTS FROM UNITED STATES.

	Dutiable.	Free.	Total.
	\$	\$	\$
1893	28,562,050	23,777,746	52,339,796
1896	29,101,646	24,427,744	53,529,390
1898	38,063,960	36,760,963	74,824,923
1901	53,600,278	53,549,047	107,149,325
1904	77,543,780	65,466,798	143,010,578
1906	89,540,776	79,257,600	168,798,376
1908	110,361,367	94,287,518	204,648,885
1909	90,584,507	79,471,671	170,056,178

The following table shows the proportions of United Kingdom and United States imports, dutiable and free, to the total imports.² It is, perhaps, more instructive to go further back in the comparison :—

¹ pp. 16-17.² p. 17.

PERCENTAGES OF IMPORTS FROM

	United Kingdom.			United States.		
	Dutiable to total dutiable.	Free to total free.	Total imports United Kingdom to total imports.	Dutiable to total dutiable.	Free to total free.	Total imports United States to total imports.
1885	41·90	35·22	40·12	42·62	54·12	45·68
1890	43·15	28·95	38·75	39·65	60·13	45·99
1895	39·81	18·39	30·85	44·05	57·79	49·84
1896	36·24	22·19	31·15	43·28	64·07	50·80
1898	30·23	18·35	25·36	51·00	71·13	59·24
1901	29·92	15·50	24·10	50·58	74·66	60·30
1904	30·18	17·73	25·34	52·07	69·14	58·71
1906	30·40	15·03	24·42	51·74	71·90	59·59
1908	32·64	17·35	26·83	50·59	70·51	58·16
1909	29·84	16·31	24·52	51·76	70·20	59·00

X It will thus be seen that the preference granted to the United Kingdom in 1897, and increased in 1900, has not succeeded in checking the proportional decline of British imports, and the great proportional increase of imports from the United States. We can only express the opinion that, but for the preference to the United Kingdom the predominance of United States products in the Canadian market would have been even greater than it now is.

Professor von Schulze-Gaevernitz is of opinion¹ that it is only through this preference that England can compete with the United States in Canada at all. Natural conditions make it inevitable that the United States should stand first in Canada—being a *pays limitrophe*. Similarity of natural and industrial conditions are powerful factors to the advantage of United States. Further, not only is the time occupied in the transport of goods from the United States to Canadamuchshorter, but the United States merchants

¹ Schulze-Gaevernitz, "Britischer Imperialismus und Englischer Freihandel," p. 185.

can maintain much more detailed acquaintance with Dominion markets than the British can. On the other hand, British manufacturers complain that a considerable part of the preference has been annexed by the shipping companies raising their rates.¹ In any case, it is unlikely that the preference can be at all extended. There have been loud complaints from the Canadian manufacturers at the injury done thereby to them, which show that the United Kingdom will not be allowed to compete against the home manufacturer in the Canadian market.²

In fact, Sir Wilfrid Laurier stated at the 1907 Conference that Canada has done all that she can to throw the whole of the trade towards the United Kingdom.³ Further, Canada has only two sources of revenue, customs and excise, but no direct taxation of any kind. Therefore, it is not possible that the tariff could be lowered, because it is needed for revenue purposes.

Sir Wilfrid Laurier further stated that between 1897 and 1906 British exports to Canada reached £69 millions, of which £16 millions are on the free list.⁴ But it must be remembered that the free list is open to all countries, and that the imports of free goods from the United States run to nearly £80 millions. On the other hand, the development of Germany in Canada has been checked by the process.

The surtax of $33\frac{1}{3}$ per cent. placed by Canada on German imports first operated in 1904.⁵ In 1903 Germany contributed 5.3 per cent. of Canada's total

¹ *Times*, March, 1910.

² *Quarterly Review*, 1905, April. "Preference: The Colonial View."

³ Conference (1907) Minutes, p. 409.

⁴ Colonial Conference (1907) Minutes, p. 410.

⁵ *Times* Financial Supplement, March, 1910.

imports, or £2,521,416. In 1904 this contribution had fallen to £1,655,369, or 3·2 per cent. of the total. In 1907 it had shrunk to 2·1 per cent. If Germany had maintained her proportion of Canadian imports, she would have supplied over £17,575,500 over the period 1904–9, that is 5·3 per cent. of Canada's total imports from 1904–9. She actually supplied only £8,566,300, so that the loss to German trade from 1904 to 1909 was £9,009,200.

It will be remembered that when Canada insisted on the denunciation of the British commercial treaties with Germany and Belgium, and proceeded to give preferential treatment to the United Kingdom, Germany demanded that she should be given the same treatment. When Canada refused, Germany imposed super-duties on Canadian imports, and Canada retaliated by imposing extra duties of $33\frac{1}{3}$ per cent. upon German goods.

After this tariff war has lasted several years, a settlement is at length in sight.¹ On Wednesday, February 16, 1910, it was announced in the Dominion House of Commons and in the German Reichstag that a provisional agreement had been arrived at, in accordance with which the extra duties imposed by the two countries would cease from March 1, in order to allow time for a definitive treaty to be negotiated. To begin with, Germany withdraws her demand to be put upon the same footing in regard to Canadian trade as the United Kingdom. Furthermore, she places upon the conventional tariff—that is, the minimum tariff—most Canadian articles. To please the agrarian party certain high duties are maintained. But all the articles of real importance to Canada—all the articles in fact which

¹ Cf. *Statist*, February 19, 1910, p. 361.

Canada can hope to sell on any considerable scale to Germany—are to be placed on the conventional tariff. In return for this, Canada suspends the super-duties of $33\frac{1}{3}$ per cent. to which German exports have been subjected since 1903.

Some authorities see in this conclusion the complete victory of Canada. The Dominion is willing to make a provisional agreement, but is not at the moment prepared to enter into negotiations for the comprehensive treaty, which Germany desires. It is apparent from this that the power to retaliate is of no value to a State, unless it has advantages which enable it to wear out an antagonist.¹ Germany produces nothing which Canada cannot obtain from other countries, while Canada produces much that Germany is exceedingly desirous to obtain. Moreover, Canada is growing so rapidly in wealth and population that she will have to offer very soon a highly valuable market.

The result of the struggle is instructive, as bearing on the probable position of the United Kingdom when entering on a policy of retaliation. This will be dealt with in another place. Suffice it to say here that the United Kingdom is much more dependent on the rest of the world for food and raw material than Germany.

It seems as if the provisional agreement of Canada and Germany, which is likely to lead to a treaty in the future, must have an important effect on the position of the United Kingdom in the Canadian market. Such a treaty will, no doubt, be on the lines of the Canadian Intermediate Tariff, which has already been extended to France, with certain modifications.

¹ *Statist*, February 19, 1910.

An Intermediate scale of duties was introduced into the Canadian Tariff of 1907,¹ in order to provide, according to the explanation of the Hon. W. S. Fielding in his Budget speech (November 29, 1906), "some tariff condition which we can offer to other countries as an inducement to them to give us favourable terms in order that we may find new and larger markets for the products of Canada." The first arrangement with a foreign country on the basis of the Intermediate Tariff was the Franco-Canadian Convention negotiated in the autumn of 1907. A supplementary Convention was found to be necessary in 1909, and the treaty came into operation on March 1, 1910. In return for the French minimum rates on a number of articles, Canada extends to France Intermediate rates on 98 items, or parts of items, and special rates lower than the Intermediate Tariff on 12 items or parts of items. Canada was forced to make these special concessions in order to secure the concessions which she desired in France. The Convention further provides for reciprocal most-favoured-nation treatment; and on the other hand, under British treaties to which Canada is a party, the advantages conceded to France are extended to the Argentine Republic, Austria-Hungary, Bolivia, Columbia, Denmark, Japan, Norway, Russia, Spain, Sweden, Switzerland, Venezuela.

As regards the position of the United Kingdom as a result of this Convention, it is noteworthy that a great part of the trade between Canada and France is now done *viâ* British ports. The Convention fails to remove the French *surtaxe d'entrepôt*, which

¹ Tariff Commission Memorandum (MM. 41), May 7, 1910.

penalizes the transshipment trade of the United Kingdom.

The effect of the Convention has been to reduce the margin of preference hitherto enjoyed by British over French products in the Canadian market ; and also over the products of the countries which are entitled to most-favoured-nation treatment in Canada. The Tariff Commission estimates that the margin of advantage given by the preference to the United Kingdom has been reduced by amounts varying from $2\frac{1}{2}$ per cent. to $12\frac{1}{2}$ per cent.

More important to the United Kingdom than the Franco-Canadian Convention, is the agreement which is being made between Canada and the United States.¹ In her tariff of 1910, the United States constituted a maximum tariff to operate against countries which unduly discriminated against the United States.

It was held in Washington that the treaty arrangement between France and Canada constituted "undue discrimination" against the United States, and thus the United States maximum tariff would have come into operation against Canada on April 1, 1910, unless concessions were secured. The United States claimed the terms of the Franco-Canadian Convention, but Canadian ministers protested that it was a treaty of reciprocity. In order, however, to avoid a tariff war, Canada was ready to grant, not indeed the 110 items of the French tariff, or anything approaching that, but certain concessions in the general tariff, to apply to the whole world. The general effect of the agreement, according to the Tariff Commission, is to reduce the margin of British preference by $2\frac{1}{2}$ per cent. on nine of the tariff items. It was, however, pointed out by Mr. Fielding in the

¹ Tariff Commission Memorandum, May 7, 1910, pp. 15, *et seq.*

Canadian House of Commons, on March 30, 1910, that in the negotiations which had recently taken place between the United States and Canada touching undue discrimination, the United States had not at all raised the question as to the British preference. It cannot, however, be doubted that the treaties of Canada with foreign countries, and especially with the United States, must have a very powerful effect on her future relations with the Mother Country.

It was urged by Mr. Asquith, in debate in the House of Commons,¹ that the result of the exercise by Canada of fiscal freedom in regard to the making of treaties has not been in any way prejudicial to the trade of the United Kingdom. The Prime Minister pointed out that the reduction conceded by Canada to the United States is very limited in extent, and does not include any articles of first importance in the United Kingdom trade.

According to the Memorandum of the Tariff Commission,² the articles most affected from the point of view of British trade interests are china, window glass, and feathers. In these three classes, Canadian imports are greatest from the United Kingdom. But the total imports from the United Kingdom under these heads amount, according to the Memorandum, only to £334,000, out of a total of £13,000,000 or £14,000,000 of United Kingdom imports into Canada.

The Prime Minister attached great importance to the fact that the United Kingdom and the Colonies alone enjoy the Canadian preferential tariff, the rates of which he described as approximately 20 per cent. lower than those of the intermediate, and 30 per cent. lower than those of the general tariff.

According to the Tariff Commission Memorandum, the intermediate tariff varies from $2\frac{1}{2}$ per cent. to 5 per cent. *ad valorem* below the general tariff. It must also be remembered that in certain cases France has already received rates even lower than the intermediate tariff.

Mr. Balfour, discussing the position of Canada,¹ declared that not only had every one of her treaties been accompanied by a diminution in the preferential advantages to this country, but that Imperial interests had also suffered. His Majesty's Government, according to the Leader of the Opposition, had only a technical knowledge of Canada's negotiations, and was not consulted at a single stage. Canada had to deal as an isolated unit from the point of view of international commerce and international treaties with France, Germany, and the United States. Thus the separatist tendency which is at work among our self-governing Colonies received encouragement. At the same time, the doctrine that it is the business of the separate parts of the Empire to consider not merely their separate interests, but their interests as part of a great whole, was not inculcated. The appeals of Colonial statesmen were ignored, and therefore they would be more and more compelled to frame their domestic policy as isolated units and not as parts of an Empire ; and it would be found that their future treaties would be made without reference to the interests of this country, or the Empire as a whole.

The question next arises, whether a preference on Canadian corn would not stimulate the vast virgin tracts in Canada which are fit for the production of corn ; and whether it would not be an advantage

¹ *Times*, July 22, 1910.

to the United Kingdom to get all her corn supply from them.

In reply it is urged that, in the first place, the development would take some time, and even if reached it would not be an advantage for the United Kingdom to have all its eggs in one basket. Everything depends in any case on the command of the sea.

On the other hand, it is clear that it is important to prevent Canada from reverting to thoughts of reciprocal arrangements with the United States, which the Dominion generally abandoned when her thoughts were turned to Imperial Preference.

As Professor von Schulze-Gaevernitz has pointed out, a Zollverein between the United States and Canada would be both commercially and politically the death of British dominion in North America.¹ Political union must follow commercial union. A united North America would be such a power as has never been seen, and would be able to break down the defences of the British Empire.

Such a union would also be the political suicide of Canada, who would lose the political identity which she has developed and of which she is so jealously proud; and such a union would be stoutly opposed by the French Canadians amongst other strong local factors, for they would see therein a danger to their religion as well as to their race. Moreover, as long as the United States have a financial interest in the United Kingdom, as long as the United Kingdom takes United States corn and other produce, and is their best market, so long will the United States, for the sake of their own interest,

¹ Schulze-Gaevernitz, "Britischer Imperialismus und Englischer Freihandel," p. 189.

be unwilling to overthrow British supremacy, which after all stood them in good stead during the Spanish War, and even now is in all European questions their only real source of strength in the *ultima ratio* of war.¹

But if the United Kingdom were to attempt to exclude United States corn, then, even should Canada be able to supply British needs, it would always be in the power of a hostile United States to prevent the food supplies from reaching Great Britain.

As regards Newfoundland, it offers an example of the want of direction of British capital. This colony has been the subject of diplomatic quarrels with France and the United States, and as a result has been neglected. That it has rich resources which only require to be developed by the direction of capital thither, the recent efforts of the *Daily Mail* serve to show.

II. What can the United Kingdom gain in Australasia? Mr. Asquith, at the Colonial Conference, stated that, according to the Acts so far on the Commonwealth Statute Book, the preference granted by Australia to the United Kingdom goods applies only to 8 per cent. of all the United Kingdom imports.²

Mr. Asquith's estimate was, of course, made before the introduction of the 1908 preferential tariff. Under that tariff, the Australian preference applies to about 65 per cent. of United Kingdom imports.³

Further, the Australian preference seems to be applicable only to British goods imported in British

¹ Cf. Homer Lea, "The Valour of Ignorance," for a scathing analysis of American weakness.

² Conference (1907) Minutes, p. 315.

³ Worked out from "Australian Year Book, 1907-8," p. 643.

ships manned by white labour. This is "a condition which is quite impossible to realize in regard to a very large proportion of our trade."¹ Moreover, it is Australia's, as it is New Zealand's, method of giving preference by raising the duty on foreign goods, not by lowering the duty on British imports. Only one tax has been taken off in favour of a British import, and that was the tea duty, whereby a benefit was conferred not on the United Kingdom, but on India and Ceylon.² The articles on which protectionist preferentialists are prepared to lower duties are cutlery and cotton. Now no cotton and little cutlery is manufactured in Australia; and the United Kingdom supplied in 1905 between 84 per cent. and 85 per cent. of the cutlery, and 95 per cent. of the cotton manufactures imported into Australia. It is, therefore, in these articles that the United Kingdom stands least in need of preference. But we will consider the trade of Australia in detail.

According to the *Official Year Book* of the Commonwealth of Australia (1907-1908), the imports of the Commonwealth in 1907 were as follows:—

IMPORTS ACCORDING TO:—³

	Country of Shipment.		Country of Origin.	
	Value.	Per cent.	Value.	Per cent.
	£		£	
United Kingdom ..	31,906,447	61·59	26,843,610	51·81
British Possessions ..	6,701,430	12·93	6,506,852	12·56
Total Foreign Countries	13,201,156	25·48	18,458,571	35·63
Of these—				
{ Germany	3,551,255	6·85	4,623,136	8·92
{ United States ..	5,869,099	11·33	6,765,182	13·06

¹ Asquith, Conference Minutes, p. 314.

² Asquith, Conference, 1907.

³ Commonwealth of Australia Year Book, p. 600.

The United Kingdom thus shows a balance of some magnitude as a *distributor* of goods of other countries to Australia, *i.e.* goods to the value of at least £5,000,000 were received in Australia from other countries through the United Kingdom.

What has been the course of imports into Australia during the last twenty years ? The Year Book gives the following figures :—

DIRECT IMPORTS¹ ACCORDING TO COUNTRY OF SHIPMENT (INCLUDING BULLION AND SPECIE):—

Annual average.	United Kingdom.	British possessions.	Total foreign countries.	United States.	Germany.
	Million £.	Million £.	Million £.	Million £.	Million £.
1887-91	24·8	4·3	6·1	2·2	1·3
1892-96	18·2	2·9	4·5	1·7	1·1
1897-01	22·8	4·0	9·4	4·3	2·2
1902-06	23·1	5·4	11·1	5·0	2·7
Year 1907	31·9	6·7	13·2	5·8	3·5

PERCENTAGES OF IMPORTS ON TOTAL IMPORTS FROM:²—

Annual average.	United Kingdom.	British possessions.	Total foreign countries.	United States.	Germany.
1887-91	70·14	12·41	17·45	6·41	3·63
1892-96	70·92	11·48	17·60	6·54	4·31
1897-01	66·77	11·18	26·05	12·00	6·21
1902-06	58·30	13·60	28·10	12·62	6·81
Year 1907	61·59	12·93	25·48	11·33	6·85

The only other foreign countries which in 1907 supplied more than 1 per cent. of Australian imports, were Belgium 1·93 per cent., and Japan 1·05 per cent.

With regard to the exports of Australia, the largest relative increase during the last twenty years has been to the British Possessions ; chiefly to the South African Colonies (agricultural and pastoral

¹ Commonwealth of Australia Year Book, p. 601.

² *Ibid.* p. 602.

produce and timber) and to India and Ceylon (gold and recently timber, mainly railway sleepers).¹

The large increases in Australian exports to Belgium, Germany, and France are more apparent than real² and are mainly due to increase in local sales of wool, skins, etc., and the resulting direct export to the countries mentioned, while formerly a much larger proportion of wool, etc., was sent to the United Kingdom for sale, and ultimately found its way from there to the Continent.

EXPORTS (INCLUDING BULLION AND SPECIE):—

Annual Average.	United Kingdom.	British possessions.	Foreign countries.	France.	Belgium.	Germany.
	Million £.	Million £	Million £.	Million £.	Million £.	Million £.
1887-91	22·0	2·4	4·9	0·6	1·3	0·5
1892-96	23·0	2·8	7·2	2·0	1·4	1·5
1897-01	25·3	6·8	12·2	2·6	1·4	2·1
1902-06	25·4	13·8	15·9	4·1	2·6	3·4
Year 1907	33·9	13·1	25·7	8·1	5·7	5·1

The only other country to which Australia in 1907 sent goods amounting to over £1 million was the United States, to which she sent £2·4 millions' worth.

PERCENTAGES OF EXPORTS TO EACH COUNTRY TO TOTAL (1887-1907):—³

Annual average.	United Kingdom.	British possessions.	Foreign countries.	France.	Belgium.	Germany.
1887-91	74·74	8·46	16·80	2·25	4·58	1·90
1892-96	69·65	8·53	21·82	6·24	4·30	4·78
1897-01	57·01	15·52	27·47	5·94	3·35	4·79
1902-06	46·09	25·11	28·80	7·59	4·88	6·17
Year 1907	46·65	18·02	35·33	11·19	7·85	7·06

The question arises has the trade of the United Kingdom with Australia been diverted ?⁴

¹ Commonwealth Year Book, pp. 606-8.

³ *Ibid.* p. 607.

² *Ibid.* p. 606.

⁴ *Ibid.* p. 626.

It is pointed out that prior to the year 1905, imports into the Commonwealth were recorded only against the country from which they were directly imported. "Although the values of direct imports do not afford satisfactory data, it is necessary, for any comparison extending further back than 1905, to use such figures. They are unsatisfactory on account of the varying proportions of indirect trade."

PERCENTAGE ON TOTAL IMPORTS OF IMPORTS OF THE PRODUCTS OR MANUFACTURES ¹ OF:

	United Kingdom.	Germany.	United States.
1905	52.99	7.89	13.05
1906	51.18	8.78	12.52
1907	51.81	8.92	13.06

Amounts, 1907 ²: United Kingdom, £26.8 millions; Germany, £4.6 millions; United States, £6.76 millions; total foreign countries, £18.45 millions.

It has been suggested ³ that the larger proportion of imports now received from foreign countries is due to the establishment and increase of direct shipping with the countries concerned, and that trade formerly received through English ports is now received direct. From the Australian records it is impossible to ascertain the value of indirect trade with foreign countries through the United Kingdom prior to 1905.

From the returns of the Board of Trade of the United Kingdom, however, the following is abstracted: ⁴ Of the value of merchandise and

¹ p. 630.

² Cf. p. 600.

³ *E.g.* by Deakin, Colonial Conference (1907) Minutes, p. 240.

⁴ Australian Year Book, p. 631.

bullion and specie despatched from the United Kingdom to Australia, the percentage proportion of foreign and colonial goods was :—

1888-1892	..	..	..	..	13·35 per cent.
1893-1897	..	..	..	..	12·91 ..
1898-1902	..	..	..	..	10·92 ..
1903-1907	..	..	..	..	15·54 ..

It is, therefore, apparent that the increase of direct imports from foreign countries has not been, in the aggregate, at the expense of the indirect trade *viâ* Great Britain.

The imports of the United States into Australia are increased by the import of bread stuffs, kerosene, and timber, trade in which the United Kingdom cannot participate, and which, therefore, is not prejudicial to its trade.¹ Kerosene and timber alone accounted in 1907 for £1·1 millions of the total imports into Australia of United States produce (£6·76 millions).

In the case of Germany, the nature of the imports into Australia is substantially the same as from the United Kingdom.²

The chief imports from the United Kingdom into Australia in 1907, are those classified as ³ (1) apparel, textiles, etc. (including boots), £9·9 millions; (2) manufactures of metals, including machinery, £6·7 millions; (3) paper and stationery, £1·2 millions; (4) alcoholic liquors, £1 millions; (5) drugs, chemicals, fertilizers, £0·83 millions; (6) jewellery, timepieces, and fancy goods, £0·51 millions.

The United States offer competition as regards manufactures of metals (£2 millions); Germany,

¹ Year Book, p. 626.

² *Ibid.* p. 626.

³ *Ibid.* p. 629.

in this class (£1·2 millions) and also in regard to apparel (£1·3 millions), and the smaller items such as jewellery and fancy goods, and in a less degree in drugs, chemicals, and fertilisers.

What advantage does the United Kingdom derive from the tariff of Australia ?

The Customs tariff was revised in 1908.¹ "The primary object of the introduction of a new tariff was to afford increased protection to Australian industries." The Act also provides a tariff of preferential rates as against the general tariff on certain goods, "the produce or manufacture of the United Kingdom which are shipped in the United Kingdom to Australia, and not transhipped, or if transhipped, then only if it is proved to the satisfaction of the Collector (of Customs) that the goods have not, since they were shipped in the United Kingdom, been subjected to any process of manufacture."

Of the twenty-four classes into which Australian imports are divided, only three, specie and metals, unmanufactured and partly manufactured, are free of duty.² In the 1908 tariff the duty has either been extended to cover a greater percentage of the goods (by sub-division), or the rate has been raised, or both, in every one of the twenty-one classes (except scientific instruments).

A preference, varying in amount, is allowed to British goods in all classes, except those comprising alcoholic liquors and spirits and tobacco, in which neither free goods nor preferential rates are granted. Alcoholic liquors constitute the class fourth in amount of British imports.

In spite of the preference, the average duty on

¹ Year Book, p. 631.

² *Ibid.* p. 632.

practically every class of British import has been raised by the tariff of 1908.

There is also a free list, which is open to all countries.

The following will show to what extent United Kingdom goods are favoured :—

(1) Comparisons of the tariffs of 1902 and 1908 applied to the total imports during 1907¹ (less bullion and specie).

		1902.	Under tariff of	1908.
Per cent. of total imports dutiable	..	64·22	..	59·34
Equiv. <i>ad. val.</i> rate (1) on dutiable goods		26·59	..	33·09
(2) on all goods	..	17·07	..	19·63

(2) Tariffs of 1902 and 1908 applied to imports of United Kingdom origin during 1907 (less bullion and specie).

		1902.	Under tariff of	1908.
Per cent. of total imports dutiable	..	69·68	..	56·97
Equiv. <i>ad. val.</i> rate (1) on dutiable goods		22·15	..	29·85
(2) on all goods	..	15·43	..	17·01

(3) Tariffs of 1902 and 1908 applied to imports of the produce or manufacture of countries other than the United Kingdom² (less bullion and specie).

		1902.	Under tariff of	1908.
Per cent. of total imports dutiable	..	58·07	..	61·98
Equiv. <i>ad. val.</i> rate (1) on dutiable goods		32·57	..	36·42
(2) on all goods	..	18·91	..	22·58

It will be seen from these tables that the percentage of United Kingdom imports on the free list has been increased under the tariff of 1908. But, on the other hand, the average rate of duty on United Kingdom produce which is dutiable has suffered a greater increase under the tariff of 1908 than has the rate of duty on the produce of other countries.

¹ Year Book, p. 632.

² *Ibid.* p. 633.

The value of the total imports into Australia during 1907 was £51,809,033.¹ Of this total the value of free imports would have been, under the 1902 tariff, £19,716,089, or 38·06 per cent. ; under the 1908 tariff, the free goods would be £22,155,203, or 42·76 per cent. Excluding bullion and specie, the total *merchandise* imported in 1907 was £49,974,833, of which £17,881,889, or 35·78 per cent., would have been free under the 1902 tariff. £20,321,003, or 40·66 per cent., would be free under the 1908 tariff. The free merchandise is made up of the produce or manufactures of the United Kingdom, £11,378,098 (£6,299,833 being free under the general tariff, and £5,078,265 under the preferential tariff), and the produce of other countries £8,942,905.

The total value of imports of the produce or manufacture of the United Kingdom during 1907 was £26,843,610 (including bullion and specie).² On the basis of the 1907 imports, preference would be given to the United Kingdom on goods to the value of £17,191,922. Of this total, £5,078,265 would be free, while similar goods to the value of £960,431 from other countries would pay an average equivalent *ad valorem* rate of 5·15 per cent., and other goods to the value of £12,113,657 would be given a preference equal to a reduction of 19·55 per cent. on the average rate of duty on similar goods of foreign countries, to the total value of £7,893,085. These equivalent *ad valorem* rates are respectively: General tariff rate, 25·10 per cent. ; preferential tariff rate, 20·20 per cent.

From the foregoing figures we see that the Australian preference of 1908 applies to, roughly, 65 per cent. of United Kingdom imports. Of these imports subject to preferential treatment, about 30

¹ Year Book, p. 643.

² *Ibid.* p. 643.

per cent. (roughly) are free, while 70 per cent. enjoy a reduction equal to 19·55 per cent. on the average rate of duty on similar goods from foreign countries.

The value of the preference to the United Kingdom on the total imports of 1907 is represented :—¹

(1) By a reduction of duty in the trade already secured, amounting to £856,122 on the duty which would be leviable on similar goods from other countries.

(2) By the advantage to be obtained by the favour of the foregoing preferential rate, in her competition for the balance of the same trade supplied by other countries, which in 1907 amounted to £8,853,516.

It must, however, not be forgotten that the average equivalent *ad valorem* rate of duty on United Kingdom imports has been raised from 22·15 per cent. under the tariff of 1902 to 29·85 per cent. under the tariff of 1908. And that, in spite of the admission of more goods free, the average rate on all goods imported from the United Kingdom has been raised from 15·43 per cent. to 17·01 per cent. (excluding bullion and specie), and from 15·21 per cent. to 16·75 per cent. (including bullion and specie).

There seems every probability that the duty will be still further raised in the future. Whether the preference granted to the United Kingdom will enable her to oust the goods of her competitors in the same classes (in 1907, £8·8 millions) still remains to be seen.

It must be remembered that the total imports of foreign origin amounted in 1907 to £18·45 millions. So that, unless the preference be extended in the future to cover a far wider field of imports, supplied both by the United Kingdom and foreign

¹ Year Book, pp. 643—4.

countries, there is no possibility that the preference will aid the United Kingdom in ousting more than half of the imports of foreign countries.

We next ask, what has the United Kingdom to gain from further preference in New Zealand? The preference so far granted arises from the surtax on foreign imports, and applies to about 20 per cent. of United Kingdom imports.¹ Examining the trade of New Zealand, we learn from the Year Books the following details:—

EXPORTS TO :²

	United Kingdom.	British Colonies and Possessions.	Foreign States.
	£	£	£
1898	8,265,499	1,532,511	719,945
1907	16,533,493	2,559,631	975,833
1908 ³	13,143,780	2,414,521	759,193

(To the United States: Exports 1897, £375,096; 1907, £714,063; 1908, £326,415.

To Germany: Exports, 1897, £5,468; 1907,⁴ £66,489; 1908,⁵ £40,191.)

EXPORTS FROM NEW ZEALAND. PERCENTAGES :⁶

	United Kingdom.	British Colonies and Possessions.	Foreign States.
1904	80·53	14·16	5·31
1906	77·63	17·36	5·01
1907	82·38	12·75	4·87
1908	80·55	14·79	4·66

It will be seen from the figures quoted above that the percentage share of foreign countries in 1898 was

¹ Asquith, Colonial Conference (1907) Minutes, p. 312.

² New Zealand Year Book, 1908, p. 422.

³ New Zealand Year Book, 1909, p. 302.

⁴ Year Book, 1908, p. 422.

⁵ Year Book, 1909, p. 302.

⁶ Year Book, 1909, p. 303.

considerably larger than in 1908. The Empire, indeed, has a practical monopoly of New Zealand exports of which it took in 1908 over 95 per cent.

No preference can be needed to direct New Zealand goods into the markets of the United Kingdom.

Turning to New Zealand's imports, we find the following statistics:—

IMPORTS FROM :¹

	United Kingdom.	British Colonies and Possessions.	Foreign States.
	£	£	£
1898	5,148,833	1,927,817	1,153,950
1905	7,795,284	2,914,358	2,119,215
1906	9,003,229	3,886,787	2,321,387
1907	10,278,019	4,664,164	2,360,678
1908	10,441,837	4,338,439	2,691,008

(Of foreign countries the United States supplied £1,405,781 in 1906, £1,643,937 in 1908 ; Germany £336,960 in 1906, £389,531 in 1908).²

IMPORTS. PERCENTAGES :³

	United Kingdom.	British Colonies and Possessions.	Foreign States.
1898	62·56	23·42	14·02
1901	58·26	24·66	17·08
1904	60·76	22·72	16·52
1907	59·40	26·96	13·64
1908	59·77	24·83	15·40

It will be seen that the British Empire supplies between 82 per cent. and 86 per cent. of New Zealand imports. The percentage is fairly steady.

The exports from the United Kingdom to New Zealand, as given in the United Kingdom trade returns, distinguish between the value of goods of

¹ Year Book, 1908, p. 385, and Year Book, 1909, p. 311.

² Year Book, 1909, p. 313 ; and Year Book, 1908, p. 387.

³ Year Book, 1908, p. 385 ; and Year Book, 1909, p. 312.

British and Irish produce, and those the produce of other countries *re-exported*.¹ These values are f.o.b., while those recorded in the New Zealand returns are c.i.f.

	British and Irish produce exported from United Kingdom to New Zealand.	Foreign produce re-exported:	Total exports.
1898	£ 4,020,677	£ 444,949	£ 4,465,626
1907	8,700,941	740,967	9,441,908

New Zealand imports from the Commonwealth of Australia contain considerable quantities of goods, the produce of the United Kingdom and foreign countries transhipped at Australian ports for New Zealand. This element would further disturb the values credited to foreign countries, if Canadian goods shipped at ports in the United States to New Zealand were assigned to the country of origin.

It will be seen that the imports of New Zealand are in all classes small. The chief are textiles, boots and shoes, drapery and clothing, etc., in 1908, £3,867,493; and iron and steel, machinery, tools, etc., in 1908, £3,671,138.

The tariff is divided into eight classes, comprising between two and three hundred items subject to duty.²

The average rate levied on dutiable goods in 1908 was slightly higher than before the tariff revision of 1907, the increase being largely due to preferential duties on foreign goods, but the average of all merchandise shows a decrease of 16·95 per cent. on the rate as it was in 1906.³ The proportion of

¹ New Zealand Year Book, 1909, p. 312.

² Year Book, 1909, pp. 78, *et seq.*

³ *Ibid.* p. 324.

merchandise free of duty, was increased considerably in 1908.

PERCENTAGE OF MERCHANDISE IMPORTED WHICH IS DUTY FREE.

1894	..	..	..	..	..	31·25 per cent.
1899	..	..	..	..	..	34·17 „
1904	..	..	..	..	..	37·23 „
1906	..	..	..	..	..	38·29 „
1908	..	..	..	..	..	50·20 „

*Reciprocal Trade.*¹—The following are the reciprocal provisions of The Customs Duties Act, 1908, sections 9 and 10 (provided by The Preferential and Reciprocal Trade Act, 1903).

“Where any country, being part of the British Dominions, reduces or abolishes, or proposes to do so, the duty on any product or manufacture of New Zealand, the Governor is authorized to enter into an agreement to reduce or abolish the duty on any articles the produce or manufacture of such country to an extent that the estimated revenue so remitted shall equal as nearly as possible the remission by that country. Such agreements, however, require ratification by Parliament.

“Similarly, where any country, not being part of the British Dominions, reduces or abolishes, or proposes to do so, the duty on any product or manufacture of New Zealand, the governor is authorized, subject to and by virtue of a treaty with his Majesty, to negotiate for an agreement to reduce or abolish the duty on any articles the produce or manufacture of such country to an extent that the estimated revenue so remitted in New Zealand shall equal as nearly as possible what is remitted by that country, subject to Parliamentary ratification.”

A treaty is at present in force between New

¹ Year Book, 1909, p. 307.

Zealand and the British South African Colonies by which certain concessions as to tariff rates are made on both sides.¹

It appears from these sections that no advantage is given to the United Kingdom over any foreign country which is willing to make concessions to New Zealand goods. The preference to the United Kingdom lies in the surtax imposed in 1903 on certain goods not being the produce or manufacture of some part of the British Dominions. This preference was said by Mr. Asquith (Colonial Conference (1907) Minutes, pp. 280–281) to affect about one-fifth of the total British imports. Under the tariff revision of 1907² the number of articles subject to the surtax was greatly increased, until at present two-fifths of all the items on the tariff come under this head.

The surtax, which came into force on April 1, 1908, varies in amount from 4 per cent. *ad valorem* on certain confectionery, and 5 per cent. on electric machinery, to 10 per cent. on most other machinery, and 12½ per cent. on some smaller items subject in the ordinary tariff to 25 per cent. The rule appears to be that the surtax shall, generally, be equal to half the duty charged in the ordinary tariff.³

Tobacco, alcoholic beverages (beer, wine and spirits), and clothing and textiles are subject to *no surtax* when imported from foreign countries, clothing and textiles being subject to duties varying from 20 per cent. to 40 per cent. in the ordinary tariff.

In 1908 these articles made up £3,865,694 out of the total imports from the United Kingdom amounting to £10,441,837, or 36 per cent.

¹ Colonial Conference (1907) Minutes, p. 267. Of the preferential treaty with Canada, mentioned by Sir J. Ward at the Colonial Conference, there is apparently no mention in the New Zealand Year Book.

² Year Book, 1909, p. 345.

³ *Ibid.* pp. 79, *et seq.*

The decrease in the proportion of foreign imports since 1904, after an increase during 1899–1904, is ascribed to the working of the preferential surtax.

The value of imports from the United States on which duty is payable increased during 1902–4 by 14·79 per cent., and decreased between 1905 and 1907 by 0·59 per cent.¹ For the same periods the value of dutiable goods imported from Germany increased by 45·44 per cent., and 17·13 per cent. respectively.

It appears that the value of free goods introduced from the United States and Germany has increased at a greater rate during the last ten years than the value of those which paid duty.

IMPORTS FROM UNITED STATES.²

	Admitted free of duty.	On which duty payable.
	£	£
1899	282,015	493,294
1902	581,186	737,751
1905	596,100	842,401
1908	868,740	775,197

In this case it seems probable that the surtax has exercised a check.

IMPORTS FROM GERMANY.

	Admitted free of duty.	On which duty payable.	Proportion per cent.	
			Admitted free.	Dutiable.
	£	£		
1899	34,937	125,668	21·76	78·24
1902	46,084	164,476	21·89	78·11
1905	64,920	212,547	23·40	76·60
1908	144,824	244,707	37·18	62·82

¹ Year Book, 1909, p. 346.

² *Ibid.* p. 347.

Again it seems as if the surtax has checked the import of dutiable goods.

The enormous preponderance of imports from the Empire in New Zealand must be remembered. On the other hand, it seems likely that New Zealand will in the future conclude reciprocity treaties with any country, British or foreign, which has advantages to offer.

III. The next point to be considered is—what has the United Kingdom to gain in South Africa? The United Kingdom has in South Africa an expanding market, owing to the continually increasing consuming power of the Rand. Moreover, the British Government are the only people having a free list in South Africa.¹ The preference furthermore includes the great bulk of British goods.

The following are the figures of South African trade, according to the Blue Book compiled by the South African Statistical Bureau (Blue Book, Trade of the Colonies and Territories forming the South African Customs Union, for the twelve months ended December 31, 1909).

TOTAL IMPORTS OF MERCHANDISE.²

	Via Cape Colony.	Via Natal.	Via Delagoa Bay.	Via Beira.	Via Feira and overland.	Total.
£	£	£	£	£	£	£
1908	13,337,913	6,440,458	3,916,933	724,442	18,460	24,438,266
1909	14,213,870	7,135,814	4,826,371	983,638	24,160	27,183,853
<i>From British Empire.³</i>						
1908	9,648,567	4,772,857	2,246,948	482,933	8,811	17,160,146
1909	10,425,772	5,318,903	2,763,654	655,217	3,998	19,167,544
<i>From United Kingdom.</i>						
1908	7,946,008	3,640,918	1,726,363	426,892	1,398	13,741,579
1909	8,729,994	4,258,783	2,215,934	605,436	1,579	15,811,726

¹ Jameson, Colonial Conference (1907) Minutes, p. 320.

² Trade of South African Customs Union, 1910, p. 266.

³ Trade of Customs Union, p. 267.

The percentages of imports from the United Kingdom and from the British Empire to the total imports of South Africa are as follows :—¹

From	1908.	1909.
	Per cent.	Per cent.
United Kingdom	56·2	58·1
British Empire	70·2	70·5

The total imports from foreign countries are thus about 30 per cent.—29·8 per cent. in 1908 ; 29·5 per cent. in 1909 (£8,016,309).² Of these Germany and the United States supplied the largest amounts.

From	1908.		1909.	
	Amount.	Proportion of total.	Amount.	Proportion of total.
	£	Per cent.	£	Per cent.
Germany	2,134,260	8·7	2,453,814	9
German S.W. Africa ..	26,273	0·1	30,261	0·1
United States	2,008,603	8·2	2,182,353	8

Of the other foreign countries, Belgium, France, Holland, Sweden, and Brazil each supply about 1·5 per cent. of South African imports. What competition there is, is thus supplied by Germany and the United States.

Out of the £15,811,726 worth of merchandise imported from the United Kingdom in 1909, £15,336,836 worth was entered for consumption in South Africa. The rate of rebate granted under the South African Customs Union Tariff is, in most articles which benefit by the rebate, 3 per cent. *ad valorem*.³ The

¹ Trade of Customs Union, 1910, p. 267.

² *Ibid.* p. 268.

³ Cf. *Ibid.* pp. 269, *et seq.*

value of merchandise entered for consumption from the United Kingdom, Canada, Australia, and New Zealand together was £17,418,677, and the amount rebated in the twelve months ended December 31, 1909, was £486,331—amounting to about 2·75 per cent. of the total value of goods entered for consumption from these British territories. It appears from these figures that the imports upon which no preference is granted are those which South Africa does not import from the Empire in large quantities. They are, indeed, such articles as South Africa produces herself, and, therefore, does not need to import to any extent¹—such as living animals, certain grains and flour, coal and coke, feathers, coffee, wool, some fruits, wines and spirits, skins and hides, tobacco, some stones and certain woods. It is not to be expected that the rebate will be extended to these articles. For it is against experience in regard to the Colonies that they will encourage, by granting a preference, such articles of import as compete with their own productions. They are not, moreover, goods the import of which from the United Kingdom, at any rate, is likely to increase to any extent.

Other British imports, as has been seen, enjoy a 3 per cent. rebate. Probably some proportion of the 9 per cent. of South African imports which come from Germany, and the 8 per cent. from the United States, consists of special goods which the United Kingdom and the self-governing Colonies would be unable to supply, even if the rebate were increased. It cannot be said that foreign competition is as yet at all severe.

In Rhodesia British goods are subject to a special

¹ Cf. Trade of Customs Union, 1910, pp. 269, *et seq.*

condition. When the Chartered Company was established there Cecil Rhodes insisted, and with great difficulty carried his point, that there should be a clause put in the Order in Council establishing it, that no British goods entering Rhodesia should ever be charged more than the then Cape tariff, which was 9 per cent. at the time. The Customs Tariff of the South African Customs Union was, in 1907, 12 per cent. But because of that clause, Rhodesia had to be allowed to charge only 9 per cent., 3 per cent. less than the Cape.¹

IV. Finally, what can the United Kingdom gain in India? ² India is practically a Free Trade area. In spite of the fact that foreign countries have largely increased their exports to India during the last twenty-five years, as regards two-thirds of her imports, England has no competitor at all. Out of the £33 millions' worth of British products sent into India not more than £10 millions would under present conditions be likely to be influenced to an important extent by discriminating modifications.³ As against this, on the other side is urged India's rising desire for Protection, which would come into play if the United Kingdom were to relinquish her Free Trade policy, and would be directed chiefly against the United Kingdom as the principal importer.

We must, however, note the conclusion of Sir Roper Lethbridge—that preference between the United Kingdom and India is the policy with which to combat the growing Protective feeling in India.⁴

¹ Jameson, Colonial Conference (1907) Minutes, p. 281.

² Schulze-Gaevernitz, "Britischer Imperialismus und Englischer Freihandel," pp. 208–11.

³ Blue Book, "Views of Government of India," Cd. 1931, 1904, p. 22.

⁴ Lethbridge, "India and Imperial Preference," *passim*.

He declares that the stoutest advocate of purely Indian "Swadeshi" will admit that Imperial Swadeshi is "the next best thing."¹ He urges that we should offer an honourable and sufficient *quid pro quo*—that the British duties on Indian and Ceylon teas, tobacco, coffee seeds, and oil should be very much modified. In return, the opposition to British goods in India would be very much lessened, and by a preference to British goods, foreign imports, which Lethbridge declares are now dumped in India, would be kept out. The question of a preference to British-grown tea, that is, practically, tea from India and Ceylon, was debated in the House of Commons on July 25, 1910.² It was proposed that the duty on tea grown within the Empire should be 4*d.* a pound, and on tea grown outside the Empire 5*d.* a pound. The chief argument urged against this proposal was, the loss of over £1,000,000 to the Treasury, due to the fact that 301 million pounds, out of a total 341 million pounds of tea imported, come from British possessions. This argument was, however, condemned by so staunch a Free Trader as Mr. Gibson Bowles as an unworthy one. He himself put forward the plea that India, being practically a free trade country, had nothing to give in return for preference. He declared that, for that reason, India had not been brought in until now; ignoring the fact that Lord Curzon's Government in 1904 published a Blue Book dealing with this very question in great detail; and that Sir James Mackay, the representative of India at the Colonial Conference of 1907, fully set forth the views of the Indian Government.

¹ Lethbridge, "India and Imperial Preference," p. 10.

² *Times*, July 26, 1910

The other points which were brought up against the proposed Indian preference were the danger that China might retaliate by placing a duty on Lancashire cotton, and thus favouring the United States, our great rival in China; and the fact that the other country to suffer would be Holland, "whose system was more nearly Free Trade than any other European country," and from whose Colony of Java we import the greater part of the foreign-grown tea (amounting in all only to 40 million pounds) which does not come from China. There is also the question of the export trade of India, of which three-fourths goes to foreign countries, which will be dealt with hereafter.

Taking the Colonial markets together, England has, and always will enjoy a great advantage in the natural preference given from family and business connection, and for reasons of administrative policy. In fact, taking a general view, Schulze-Gaevernitz¹ is of opinion that the United Kingdom will not need a preference in the Colonial markets for a long time. But a preference will repress the slowly advancing competition of foreign countries in the future.

This has already been the case as regards Germany in Canada. But in Canada the United States, owing to natural advantage, offer powerful competition, as they also do with regard to machinery in Australia. There seems even a possibility that American competition in textiles will make itself felt in India as well as in China and the Far East.

The actual amount of trade done by foreign countries with the Colonies in goods which the United Kingdom could produce, and which preferential tariffs would secure to the United Kingdom, was

¹ Schulze-Gaevernitz, "Britischer Imperialismus und Englischer Freihandel," p. 217.

estimated by Mr. Chamberlain at £26 millions. But of this £10 millions was trade done by foreign countries in Canada, where the preference was already at work.

What, from the Colonial point of view, is to be gained from Imperial Preference? The Colonies look forward to an increased demand for their goods, which will greatly stimulate their production. In some cases, it is anticipated that a preferential policy would lead to the direction of Colonial exports into British markets to a greater extent than formerly. But, in regard to this last question, there are certain facts, some of them already noted, which demand consideration.

In the first place, as to New Zealand, the British Empire has already a virtual monopoly of her exports, of which over 95 per cent. came to British markets in 1908, and 80·5 per cent. to the United Kingdom alone.¹ Of exports from British South Africa, 93 per cent. in 1908 and 91·5 per cent. in 1909 found their way to the United Kingdom; and 93·7 per cent. in 1908, and 92·1 per cent. in 1909 to the markets of the British Empire.² The cases of Australia and Canada are somewhat different. During the period 1887-1891, there came annually to the United Kingdom on an average 74·74 per cent. of Australian exports. During 1902-6, the proportion was 46·09 per cent. During the same period the exports to British possessions rose from 8·46 per cent. of the total exports during the years 1887-91, to 25·11 per cent. during the years 1902-6, while foreign countries took 16·80 per cent. on an average during 1887-91, and 28·80 per cent. during 1902-6.³

¹ Cf. above, pp. 79-80.

² "Trade of South African Customs Union for 1910," p. 291.

³ Cf. above, p. 72.

The foreign countries which seem to have advanced most as Australia's customers are France, Germany, and Belgium. These advances, especially notable in 1907, are more apparent than real, as has been remarked before. They are the result of the direct export to these countries of articles (wool, etc.) which were formerly sent to the United Kingdom and found their way thence to the countries of Continental Europe.¹

The proportion of exports from Canada which has found its way to the United Kingdom has varied considerably from year to year during the last twenty years.² During the decade 1889-1898, it fluctuated between 45·27 per cent. in 1889 and 67·78 per cent. in 1898, varying as much as 7 per cent. and 8 per cent. in successive years. During the decade 1899-1908, the proportion fluctuated between 65·92 per cent. in 1889 and 50·61 per cent. in 1905. But, roughly, there has been a gradual decrease, and the proportion of Canadian exports which went to the United Kingdom was 51·46 per cent. in 1909. The same fluctuations are noticeable with regard to Canadian exports to the United States, which have varied between 45·73 per cent. in 1889, and 23·53 per cent. in 1898, and in 1909 were 35·01 per cent. of the total Canadian exports. With one exception during the period for which we have records, the United Kingdom and the United States have, year by year, taken together between 86 per cent. and 92 per cent. of Canadian exports. During the last ten years they have taken less than 90 per cent. Canada's best customers besides the United Kingdom and the United States are (in order of the amounts

¹ Cf. above, p. 72.

² Canada, "Report of Department of Trade and Commerce," 1909, Part I., p. 19.

taken¹) France, the British West Indies, Germany, the British East Indies, British Guiana, Switzerland, Japan, Belgium, Austria-Hungary, Newfoundland, and the Argentine. The chief increase during the last few years (since 1905) has been in the exports to the British West Indies and the Argentine; but obviously all the amounts are small. When we consider how infinitely more Canada takes from the United States than she supplies to them, and how great the advantages are for mutual trade, it seems doubtful whether a preference in the United Kingdom would divert much of the Canadian export trade from the United States.

We come then to the Empire of India, which though not a self-governing Colony, must be considered in this matter. Foreign Protectionist countries have already taken out of British hands fully three-fourths of the Indian export trade, and are every year taking more and more.²

The chief customers of India are China, Germany, France, the United States, Japan, and Belgium. Preferentialists entertain great hopes that a preference may divert this stream of exports partially into British markets. They anticipate that a preference to Indian tea, coffee, and tobacco would lead the United Kingdom to import these commodities from India, instead of from Dutch Colonies through German and Dutch ports, and from America, as it now does in large quantities. Further, it is hoped that, if an agreement is arrived at with the Mother Country, capital which is badly needed in India, will flow thither more freely; and that from that

¹ "Report of Department of Trade and Commerce," 1909, Part I. pp. 20-21.

² Lethbridge, "India and Imperial Preference," p. 47.

point of view the Indian National Congress will welcome a settlement of difficulties.

This brings us to the point, on what articles do the Colonies desire a preference? From the Colonial Conference of 1907¹ it appears that Canada desires a preference on corn, dairy produce, and possibly timber; Australia on wool, corn, wine, fruit, and meat; New Zealand probably on wool, meat, and dairy produce; South Africa on tobacco and wine; India on tea, corn, tobacco, and coffee. At the Conference, Mr. Asquith gave a definite negative to the plea for any reduction of British duties on tobacco, wine, and tea. Wool and timber are raw materials, and therefore out of the question. We come then to the practical suggestions of the advocates of Imperial Preference.

It was suggested that a preference should be given to Colonial corn, meat, and dairy produce by imposing a duty of 2s. on foreign corn and 5 per cent. on foreign meat and dairy produce. In the opinion of the Colonial delegates at the Conference of 1907, these preferences would make for an enormous increase in the production of corn in Canada, Australia, and India. They urged that even if the price of corn in England were not raised they would benefit by having an assured market in the United Kingdom. Their increased return would arise from the fact that production on a large scale is cheaper. They declared that the widest market, not the dearest, would be the most profitable for them.

This preference, it is thought, would so stimulate the production of corn in the Colonies that in this respect the Empire would very soon be self-sufficing. The imported wheat supply into the

¹ Colonial Conference (1907) Minutes, pp. 228-440, *passim*.

British Isles was estimated in January, 1904, as 201 million bushels, or $25\frac{1}{8}$ million quarters. In Manitoba alone there were in 1902, 2,040,000 acres under wheat, yielding 53 million bushels;¹ so that only four times that area is required to yield all that Great Britain requires, with 20 million bushels over.

The latest Canadian figures do indeed reveal a very remarkable increase in the area brought under wheat, and in the crop produced, in Western Canada. They are as follows :—²

NORTH-WEST PROVINCES—FIELD CROPS.

	1900.		1905.		1906.	
	Acres.	Bushels.	Acres.	Bushels.	Acres.	Bushels.
<i>N.W. Provinces:</i>						
Fall Wheat ..	947	20,505	52,669	1,110,067	85,199	2,225,281
Spring Wheat	2,494,519	23,436,354	3,888,700	81,351,560	4,977,294	108,361,543
<i>Manitoba:</i>						
Fall Wheat ..	120	2,036	617	12,114	655	12,074
Spring Wheat	1,965,073	18,350,893	2,416,636	47,614,472	2,720,424	54,460,124
<i>Saskatchewan:</i>						
Fall Wheat ..	306	3,765	468	9,653	1,046	21,596
Spring Wheat	486,864	4,302,326	1,375,813	31,789,545	2,116,438	50,160,763
<i>Alberta:</i>						
Fall Wheat ..	521	14,704	51,584	1,088,300	83,498	2,191,611
Spring Wheat	42,582	783,135	96,251	1,947,543	140,432	3,740,656

It will thus be seen that in 1906 the total wheat produce of the North-West of Canada was about 221 million bushels, having increased from about 47 million bushels, or about three and a half times, since 1900. The area under wheat has not increased in the same ratio, being in 1906 little more than ten million acres, an area which admits of great extension.

And there is little doubt that in time the full amount might be forthcoming. But with regard to the Canadian wheat, it must be remembered that it

¹ "Compatriots' Club Lectures," p. 151.

² Canada Year Book, 1908, pp. 169-170.

might prove difficult to prevent the United States from profiting by the preference. At different times of the year Canadian corn passes over United States rails and United States corn over Canadian territory ; and Canada might have to maintain a line of Customs officials along an enormous frontier, though I am informed that the difficulties involved would be less in the case of corn than in the case of farm produce.¹

It appears that the retention of the identity of grain in large quantities could be readily arranged, by setting apart separate bins, or, if necessary, elevators, for the exclusive use of grain of any particular origin. Such bins or elevators would be placed under the control of those sworn to see that the identity was preserved ; and Government inspectors would find no difficulty in certifying as to the origin of the grain. The difficulty in the case of dairy produce would, it appears, not be so easily overcome.

Further, we must not forget that Western Canada is looking more and more to the Far East, to possible markets in Japan and China.²

Australia and New Zealand now provide 5 per cent. of the United Kingdom corn supply. But it appears that there are millions of acres fit for the growing of wheat in Queensland and South Australia.

During the last ten years there has been an enormous increase in the import of wheat from the Colonies, and also in the proportion of Colonial to foreign corn imported.³ This increased import came chiefly from Canada, it should be remarked without any preference given in the home market ; and Professor von Schulze-Gaevernitz is of opinion that

¹ Moreover, should the United States at any time diminish their duty on Canadian corn, Great Britain would have to increase the preference to retain the corn.

² *Economist*, March 5 and 26, 1910.

³ Cd. 4954, p. 74.

the self-sufficiency of the Empire in regard to corn is not beyond the realms of possibility.¹

It must, however, be remembered that, with the exception of Canada, the British corn-producing areas are subject from time to time to circumstances which render their corn supply very uncertain—in India, the famine; in Australia, drought.

Thus the production of wheat in Australia has shown great variations during the last eight years.²

1900-1	..	..	..	..	48·35 million bushels.
1901-2	..	..	..	..	38·56 "
1902-3	..	..	..	..	12·37 "
1903-4	..	..	..	..	74·14 "
1904-5	..	..	..	..	54·53 "
1905-6	..	..	..	..	68·52 "
1906-7	..	..	..	..	66·10 "
1907-8	..	..	..	..	44·65 "

Again, the imports of wheat into the United Kingdom reveal the following fluctuations :—³

	1900.	1902.	1904.	1906.	1908 ⁴
	Cwts.	Cwts.	Cwts.	Cwts.	Cwts.
Canada ..	7,997,626	12,226,490	9,036,643	13,824,283	16,810,990
British India ..	6,239	8,842,182	25,521,097	12,638,561	2,950,733
Australia ..	2,919,268	4,217,013	11,364,669	8,535,517	5,838,061

These figures speak for themselves in regard to the impossibility of relying on Empire-grown wheat.

The import of wheat and flour from all British possessions, which was over 46 million cwts. in 1904,

¹ Schulze-Gaevernitz, "Britischer Imperialismus und Englischer Freihandel," p. 179.

² Commonwealth Year Book, 1901-1908, p. 382.

³ Statistical Abstract, 1908, pp. 142-3.

⁴ The figures for 1909 (Statistical Abstract for United Kingdom, 1895-1909, p. 143) are as follows :—

Canada, 18,620,823 cwts. ; British India, 14,639,033 cwts. ; Australia, 10,423,711 cwts. The total import of grain and flour from British Possessions was higher in 1909 than in any preceding year except 1904. In that year India supplied 25·5 million cwts.

and 41·85 million cwts. in 1907, fell to 25·6 million cwts. in 1908.

Though preference might perhaps help to develop corn-growing in Canada,¹ it requires other work to free India from the famine, and Australia from the periodical drought, which render their export of corn so uncertain.

The encouragement of corn-growing in Australia is a matter of great importance, owing to its connection with the question of population. Agriculture requires more men on the land than sheep and cattle rearing, and their corn-growing might supply the agricultural population so greatly lacking in Australia. To effect this, however, there would be required, not only a permanent change in the immigration policy of the States of the Commonwealth, but also in the attitude of the owners of up-country stations. For many years the policy of the Australian States was

¹ Since these words were written, the position has been somewhat modified by the reception accorded to Sir Wilfrid Laurier during his tour in the West in July, 1910. At Brandon, on July 18, delegates of the Grain Growers' Association, representing, it appears, 195 branches in all parts of the province of Manitoba, and speaking for an organization of formidable numerical strength, presented a memorial to the Premier. Their example was followed, in the course of a few days, by the Grain Growers' Association of Saskatchewan (see *Morning Post*, August 6 and 8, 1910). The memorialists declared that "of the many economic questions which engage the attention of Western farmers, none is regarded with so much disapproval as the Protective tariff." They maintain that "the Western farmers do not want any Protection for their products. In other words, they are willing that all farm products should be placed on the free list. Nor do they look with favour on any fiscal or preferential tariff that will have the tendency to enhance the cost of living to British artisans and labourers, but rather that every possible facility should be given for the free exchange of the food products grown on the prairie farms, for the products of British congested factory districts." "We submit that duty should be levied only for the purpose of creating revenue for the necessities of government" (*Westminster Gazette*). The Saskatchewan Association asked for "unrestricted reciprocity with the United States, and Free Trade with England" (*Morning Post*). Sir Wilfrid Laurier expressed the hope that the revision of the tariff would be downward. It remains to be seen what will be the result of this strong memorial.

adverse to the encouragement of immigrants, and though there has been recently a decided change, it has yet to be seen whether the new policy will be carried out with resolution. The discouragement by landed proprietors of any but unmarried hands is a far more serious fact. "Squatters and farmers alike pay only sufficient wages to support a single man, and supply housing only for bachelors; therefore, it is impossible for married couples to obtain country work, unless the wife acts as a domestic and lives in the owner's house."¹ Children are looked upon as encumbrances, and their arrival has been known to lead to dismissal by employers, though reduced rates are now granted to married women and children by the Government.²

From the Imperial point of view there is the danger that the preferential policy may lead to ill feeling between the Colonies, as all will not benefit equally. Further, one interest in the Colony will benefit to the exclusion of others equally powerful. Thus a preference on corn will obviously be of most advantage to Canada, but then the timber merchant will have cause for complaint. The wool of Australia is of more importance for export than the product of any of her other industries, but wool is to receive no preference, being a raw material. Again, in South Africa tobacco and wine are to receive no advantage.

In time of war or scarcity, preference might do more harm than good. The poor man in England might feel that he was paying more for his bread to benefit the wealthy Canadian farmer.

The Cost of Preference.—The question next arises, what will preference cost the United Kingdom? Sir

¹ *Times*, March 30, 1910.

² *Times*, March 31.

Robert Giffen states ¹ that "the bonus which we propose to give to the Colonies will not add enough to their purchasing power to affect their demand for European goods sensibly." Even by taxing ourselves to the tune of £60 millions we could only add one per cent., or £12 millions, to the purchasing power of the Colonies, and even this sum would not be devoted, except in the smallest proportions, to the purchase of English manufactures.

With regard to the cost of the corn preference proposed, it appears ² that in 1902 we imported about 132 million cwts. of foreign corn (*i.e.* wheat, barley, rye, and oats, excluding maize) and 28 million cwts. of Colonial and Indian corn, and we ourselves in Great Britain and Ireland raised about 158 million cwts. of cereals. On such a foreign supply the proposed tax would yield to revenue £3·3 millions; the Colonial and Indian growers would receive a profit of only £700,000, but the consumer would pay in all over £8 millions extra, and the balance of £4 millions would go into the pockets of the British landlords. The same, according to Mr. Robertson, would be the case with butter, cheese, and milk.

It appears, then, that the aims of the home and of the Colonial corn producer are somewhat opposed; but the opposition of interests will be even greater in the case of the proposed preference for dairy produce and meat.

Relations with Foreign Countries.—During the years 1905–8 the trade of the United Kingdom with her possessions bore to her trade with foreign countries the following proportions:—As to imports,

¹ *Nineteenth Century*, July, 1903.

² Robertson, "Trade and Tariffs," pp. 264–5.

£139 millions out of £603 millions, or 23·1 per cent. of the total, came from British Possessions. As to exports, £123 millions out of £368 millions, or 33·4 per cent. of the total, went to British Possessions.¹ On the other hand, it is to be observed that though the Colonial trade is small, the Colonies import much more per head of the population than foreign countries. Germany imports British goods to the value of 11s. 8*d.*, the United States, 6s. 3*d.* per head; but Natal imports goods to the value of £8 6s.; the Cape of Good Hope, £6 19s. 6*d.*; Australia, £5 5s. 6*d.*; New Zealand, £7 5s. 7*d.*; Canada, £1 18s. 4*d.* per head.² We are, nevertheless, faced with the problem whether the United Kingdom can afford to disturb so large a trade with foreign countries in order to promote a possible advance in her Colonial trade, which is much less.

At present we enjoy most-favoured-nation treatment with foreign nations (that is, their preferential tariffs). If we establish preferential trading with our Colonies, and so create maximum and minimum tariffs, we shall deprive ourselves of our most-favoured-nation treatment for the greater part of our export trade;³ though (as we shall see below) it may be doubted whether we have derived much advantage of late from the most-favoured-nation clause, owing to the more detailed arrangement of tariffs.⁴

We must, moreover, consider the possibility of retaliation on the part of foreign countries against the United Kingdom, and against the Colonies, if an attempt is made to shoulder them out of the Empire.

¹ Cd. 4954, pp. 23, 27.

² Schulze-Gaevernitz, "Britischer Imperialismus und Englishcher Freihandel," p. 216.

³ Chiozza Money, "British Trade and the Zollverein Issue," p. 58.

⁴ Cf. Sir E. Law and Sir C. Kennedy.

As against this the Empire has a weapon of great force. It is unique as a market. It is a necessity to foreign countries.¹ The United States of America export to Great Britain and the British Possessions nearly 50 per cent. of their total exports. For the German Empire, Great Britain is immeasurably the best market. "We have established for ourselves what is known as a partial buyer's monopoly."² The producers of the world in other words are bound to come to us to dispose of the chief part of that surplus not required for consumption in their own houses. But there are individual cases in which foreign countries might retaliate upon British Possessions.

It was, for instance, suggested in the House of Commons³ that if a preference were given to Indian tea, China might retaliate by striking a blow at the cotton trade of Lancashire. A duty might be put on Lancashire cotton in favour of America, one of our greatest rivals in China. Nor could it be urged that we should have our reward in an increased cotton trade with India; for we already had by far the largest share of the Indian cotton trade, and could not hope to be compensated there for the harm done to our trade with China.

Sir James Mackay pointed out that the danger of retaliation from foreign countries exists with regard to India,⁴ in spite of the fact that a large proportion of Indian exports consists of raw materials useful to these countries in their industries. "It is not clear that India enjoys an effective monopoly in any large number of articles that are essential to the existence of foreign industries. Even with

¹ But Cf. Professor Marshall, *infra*, for the contrary opinion.

² Sir Vincent Caillard, "Compatriots' Club Lectures," p. 160.

³ Mr. Toulmin. Cf. *Times*, July 26, 1910.

⁴ Minutes of the Colonial Conference of 1907, p. 299.

regard to certain articles that are essential to the existence of foreign industries, even with regard to certain articles such as raw jute, oil-seed, lac, teak-wood, myrobalsams, and mohair, in respect of which it might be said that a monopoly exists, it must be borne in mind that a substantial increase in the price produced by an export tariff might lead sooner or later to the production of those articles in other countries, to the discovery of substitutes for them or to a lessened demand. In any of these eventualities the export trade of India would be seriously affected." In the same strain ran the "Views of the Government of India,"¹ as expounded by Lord Curzon's Government in 1904. It is therein pointed out that India relies on her exports to foreign countries to balance her indebtedness to the United Kingdom. Sir Edward Law, however, in a minute² differing somewhat from the conclusion of the rest of the Viceroy's Council, expressed the opinion that on the whole foreign countries could not adopt tariffs hostile to India or cease to import her produce. He admitted that the United States could do some harm; but as to this, it is to be remembered that the United States are anxious to develop their trade in textiles in the East, and the Indian market will become important to them as a field for exports. On the other hand, the German Empire, and many of the other European Countries to which India sends exports, are industrially dependent upon imports from India. Germany could not in her own interest tax Indian imports. She would damage her own industry if she ceased, for instance, to import jute. Sir Edward Law pointed out how difficult it is to gauge exactly

¹ Cd. 1931.

² "Report of the Views of the Government of India," 1904, p. 16.

how India could be harmed by retaliation. In order to form a correct estimate, it would be necessary to know the exact destination of every Indian export. He was of opinion that probably there would be a decrease in the export of Indian rice to Europe, if there were in the Empire a tariff discriminating against European countries. But this was merely an opinion, as statistics are only available as to the destination of 60 per cent. of the rice exported from India. The greatest danger that might threaten India from any damage to her export trade with foreign countries would be the possibility of the depreciation of the exchange value of the rupee currency, as a result of the disturbing of the balance of trade.

The West Indies offer an example of Colonies which fear retaliation as a result of Imperial Preference. The Royal Commission appointed to consider the trade relations between the West Indies and Canada found on its tour through the West Indies in 1909-10 a considerable amount of opposition to any comprehensive agreement based on a scheme of mutually preferential tariffs.¹

The West Indian islands have two main interests, sugar growing in Barbados and one portion of the islands, and fruit growing in Jamaica and another portion. Now Canada has given freely and without any return a preference to British-grown sugar, under the stimulus of which the sugar industry, which was practically dead, has been resuscitated in several of the islands. Nowadays, 74 per cent. of all the raw sugar which the West Indies have for export finds its market in Canada. Barbados, and the other

¹ *Times*, March 12, 1910. As to the value of closer trade relations, compare the present condition of Cuba and Porto Rico with that of the British West Indies.

islands whose interests lie chiefly in sugar, are eager to meet Canada in every possible way. On the other hand, the prosperity of the fruit-growing islands is at present largely dependent on the American trade, and they are not prepared to face the risk of American retaliation for favours accorded to Canadian goods. This retaliation has been threatened by a New York firm (which has, however, no kind of authority to speak for the United States Government) in the event of the Colonies entering into a preferential arrangement with Canada. Jamaica trembles for her banana trade with the United States, and Dominica for her limes. This nervousness leads those interested in fruit growing to minimize the effect of Canadian preference, and even to deny that it has been of any use at all to the West Indian sugar industry, in order to avoid offending the United States importers. Many persons express an abstract willingness to assist in developing closer relations with Canada, but couple it with a demand that Great Britain should "guarantee" the Colonies against any loss of American trade which might ensue.

Here obviously is a case which indicates that preference might cause the Colonies to suffer from retaliation by foreign countries; though, as far as Canada and the West Indies are concerned, the subsequent commercial agreement between Canada and the United States seems to show that those fears are unfounded.¹

¹ *Morning Post*, March 31, 1910. The Royal Commissioners on the Trade Relations between Canada and the West Indies, in their Report (published September, 1910) express the opinion that the West Indian Colonies ought to make some concession, in return for the preference which the Dominion of Canada has for some time granted freely. Otherwise, it is possible that public opinion in the Dominion might come to regard the one-sided preference as unsatisfactory, and on that ground it might be abolished. This would be harmful to West Indian trade, which has greatly benefited by the preference.

One of the great difficulties of the question is that there appears to be at present very little evidence with regard to the ultimate destination of Colonial exports. Such information would be necessary before we could form any opinion as to how far the Colonies would be likely to suffer from the retaliation of foreign countries. Professor von Schulze-Gaevernitz holds¹ that the United Kingdom armed with preferential duties might be more influential than now in bringing down foreign tariffs; in fact, that it might assist the tendency to downward revision which seems to be spreading abroad. But we must not

The Commissioners are faced with the conclusion that the grant of a reciprocal preference is the only policy which is at all likely to command any measure of approval either in the West Indian Colonies or in the Dominion; and they feel that the very special relations which exist between these territories justify them in supporting the adoption of such a policy in this case.

The Commissioners also point out that the maintenance and improvement of the steamship service between Canada and the West Indies is in the highest degree essential, in that the development of trade depends very largely on adequate means of transportation. They urge the importance of securing effective co-operation between the Canadian Railway Companies and the Company carrying on the West Indian steamer service. Finally, they insist strongly that it is essential to continue for the present the payment of a subsidy for a service of steamers between Canada and the West Indies.

Other matters with which the Commissioners deal are telegraphs and the Imperial Department of Agriculture in the West Indies. In regard to the former, the Commissioners insist on the importance of improved telegraphic facilities. They report that the balance of advantage in this case appears to lie with the public ownership and operation of the cables in the British West Indies, and possibly of the whole system northward to Halifax. They express the hope that this might be arranged by the Imperial Government (on its own behalf, or with a view to subsequent transfer to the West Indian Colonies) in conference with the Canadian Government. With regard to the Imperial Department of Agriculture in the West Indies, the Commissioners point out that the whole cost was borne by the Imperial Government until 1908, since when the Imperial grant has been gradually reduced. They urge strongly the importance of deciding at an early date upon the continuance of the provision of the cost of the central office (some £5000 a year), for a definite term of years.

Action along the lines here laid down by the Commissioners would tend to increase the value and importance of inter-Imperial trade to the West Indian Colonies, and in that way diminish their fear of the power of any possible retaliation from the United States.

¹ Schulze-Gaevernitz, "Deutschland und England," p. 58.

forget that if we exclude foreign countries from trade within the Empire we may find these concentrating a keener competition on the neutral markets. As it is, custom, kinship of race, personal and business connections, together with the tendency of administration under a common flag, form a basis of mutual preference that must not be despised.

On their side, the Colonies, in advocating preferential arrangements, look forward to the intervention on their behalf of the Mother Country armed with a tariff. For instance, Australia considers that her exports to Europe are being handled unfairly, and looks to the United Kingdom to bargain for better treatment.

Meanwhile, as Mr. Churchill observed at the Colonial Conference, the difficulties in the way of arranging a preferential scheme, and of altering it when arranged, are very formidable.¹ Not the least of the difficulties consists in the want of good statistical information, and the many parliaments and conflicting interests which have to be dealt with. At present one can only say that no sufficient proof has been advanced from an economic point of view to show that a system of preference for Colonial produce is feasible, or that it would promote the closer union of the Empire or further the trade of the United Kingdom.

It may, however, be asked from the political point of view, will the Mother Country do nothing to hold the Empire together? To this it may be replied that even in trade the Mother Country already gives an indirect preference to her Colonies by the

¹ Mr. Churchill's arguments (Colonial Conference (1907) Minutes, pp. 400, *et seq.*) related chiefly to administrative questions, regarded from the point of view of party government.

weight of her credit. The Colonies raise loans at a far lower rate than would be possible if they stood by themselves. London is the market where their loans are raised, and if they wish to know the value of the connection they should try and raise loans elsewhere. In addition to this, the United Kingdom provides an enormous free market for Colonial produce in which there is the tacit preference based on kinship already alluded to.

Beyond this, there is much that can be done to foster inter-Imperial trade. Every meeting of the Chambers of Commerce brings a long list of grievances from which commercial men suffer, very few of which have been attended to. Steps have, indeed, been taken to appoint commercial agents to represent Great Britain in the self-governing Colonies.¹ But there is a long list of measures recommended by the Congress of Chambers of Commerce, which met at Sydney in September, 1909. Reduced freights, cheaper cable communication, reduced postal rates, uniform weights and measures, are among the list of practical measures for the future; while, if we look to the past, we shall find that the much lauded preferential system has already been tried and found wanting.

Experience of the Working of Imperial Preference.—During the years from the close of the French Wars in 1815 a system of Colonial preference existed, which formed the subject of an inquiry before a Select Committee in 1841.

¹ But more care should be taken by commercial agents over their reports; *e.g.* Mr. Grigg is wrong in recommending importers to send cheap goods West and reserve expensive articles for Eastern Canada (Board of Trade. Commercial Intelligence Committee. Mr. Richard Grigg's Report, p. 17). Further, it is untrue that, for instance, in Winnipeg, the dearest goods command an immediate and extensive sale.

With regard to timber, the view was held that it might be possible to make the Empire self-sufficing. With this object the duties on timber from British Possessions in America were almost entirely repealed, while a heavy duty was placed on timber from Northern Europe. As a result, it was found that it was worth while to ship wood from Northern Europe to Canada in order that it might enter the United Kingdom as Colonial timber; because a strong demand existed for Baltic timber, which was far superior to that from America.

Finally, it became absolutely necessary to British trade that the preference should be removed. When this was done, the Canadian lumbermen complained, because under the stimulus of the preference, vested interests had grown up; but the small farmers rejoiced because the preference had led to the neglect of agriculture in favour of timber.

With regard to sugar the duties in 1836 were 36s. per cwt. on Colonial, and 63s. on foreign sugar.¹ In 1842, owing to the depression produced in the West Indies by the abolition of slavery, there was a change. A duty of 14s. was placed on Colonial brown sugar, while on foreign sugar the duty was 63s. if produced by slave labour, and 23s. 4d. if produced by non-slave labour. Other slave-made commodities were, however, allowed to enter without any differential duties. The result of the policy as a whole was a loss to the British public and to the British revenue. Meanwhile, we prevented the development of the West Indian Colonies, by forbidding them to set up sugar refineries to compete with our own refining trade.

As to coffee, the idea of Imperial Preference had

¹ St. Loe Strachey, in "The Empire and the Century," pp. 147-8.

been to encourage the growing of coffee within the Empire, as it was a very profitable crop. Before 1842 the duty on foreign coffee was 1s. 3d. per lb., while on coffee imported from any British possession within the East India Company's Charter, the duty was 9d. The result was that the coffee-producing foreigner shipped his coffee to the Cape, which was within the Charter, so that it might come into the United Kingdom with the 9d. duty. The import of coffee from the Cape rose from 189 lbs. in 1830 to 6,149,189 lbs. in 1842. The Colonial grower was not assisted, the home consumer was heavily taxed, and the only person who benefited was the fraudulent importer of foreign coffee. According to Mr. McGregor, one of the joint secretaries of the Board of Trade, who gave evidence before the Select Committee of 1840, "57 out of every 100 lbs. of coffee which were imported into England by way of the Cape, were carried, in the first instance, to that Colony from Brazil; 8 lbs. from Cuba; 12, I think, were sent from England of foreign coffee to the Cape to be reimported; 6, I think, from Java; and 6 or 8 from Holland to the Cape of Good Hope, and the remainder from other countries." The witness was of opinion that no coffee was produced at the Cape.

With regard to wine,¹ in 1813 Cape wine was admitted at one-third the duty on Spanish and Portuguese wines, and a great stimulus was given to the Cape wine trade. Even in 1846, when the duty on Cape wines was only half of that on foreign wines, the import of Cape wine nearly equalled that of wines from France. When, however, the differential duties were abolished, the trade almost disappeared. The

¹ St. Loe Strachey, "The Empire and the Century," p. 150.

truth was that it was artificial and chiefly benefited the fraudulent wine merchant in Britain, for it supplied him with cheap and inferior grape juice wherewith to adulterate good foreign wine. "It did not really benefit the Cape grower." It did not encourage him to improve his methods of manufacture, but only gave him a safe market for a bad product. Apart from these difficulties which existed in the past, when the Government of the Colonies was in the hands of Downing Street, there are others arising from the growth of Parliamentary Government, to which a brief allusion has been made above.

Colonial affairs, it was argued at the Conference, will suffer very much from being brought into the arena of party politics.¹ They will, in fact, be introduced into the most unpleasant part of Parliamentary work, that part which is concerned with raising the taxation for each year. Each tax will have to be discussed annually, and the process of the annual balancing of interests as between the Mother Country and the Colonies would be calculated to create an anti-colonial party. The system of reciprocal preference must involve a conflict with the principle of self-government. The maxim of grievance before supply will apply. The House of Commons will, or at any rate might well, demand power to intervene in Colonial affairs, and the Colonies, if they are receiving a preference, will hardly be able to refuse. On the other hand, there will be a difficulty in removing a tax which affects the Colonies, even if it has been driven up to a high level and there is a general demand for its removal in England. It would be practically irremovable, because fixed by treaty with the self-governing

¹ Churchill, Colonial Conference (1907) Minutes, pp. 400, *et seq.*

Dominions scattered all over the world. It would, of course, be possible hastily to summon a meeting of the Imperial Conference, but the result might be to "expose the fabric of the British Empire to a wrench and shock which it has never before received."

To these arguments it was replied that if Parliamentary procedure is inadequate, then the assemblies concerned must shape their method of handling their business so as to meet the demands of the Empire. The only practical means of dealing with the subject is by embodying it in a reciprocity treaty for three or five years, as both parties might agree.¹ We shall see below that ten years is a preferable period, though Colonial Parliaments are triennial, and the British Parliament septennial. In any case, "the consent of the British Parliament once given to such an arrangement, it certainly would not come under direct review in an effective way until the expiration of that period." Such a treaty would not be terminable, except by mutual consent or at a definite period.

Mr. Deakin, at the Colonial Conference, pertinently asked whether the party system is to destroy everything but itself.² Mr. Churchill's argument, set forth above, he declared fatal to all possibilities of commercial relations, not only within, but also without the Empire. On this theory it would not be possible to make any arrangement with a foreign country of any kind based on mutual concession. It may further be observed that the preference granted to the Mother Country has not, since the first year, aroused the contention and created the friction suggested by Mr. Churchill. Sir W. Laurier

¹ Colonial Conference (1907) Minutes, pp. 417-8.

² *Ibid.* pp. 418-9.

declared ¹ that animadversions on those concerned in the preference, fierce in the first year, had since abated. Mr. Deakin maintained that it was not the experience of the Colonies that preference aroused sullen hatred.² The preference is not proposed in perpetuity but only over a period of years.

I will confess that in my judgment in a system of commercial treaties, not only with the Colonies, but also with foreign countries, the best solution of our difficulties will be found.

The question of preference would then have to be debated in the various responsible Governments of the Colonies, and in the United Kingdom at fixed intervals. It would come up naturally at the expiration of each Parliament, and as the periods at which and for which Parliaments are elected differ, the difficulties would be greatly enhanced unless some agreement should be reached by referring this question to some permanent Trade Council of the Empire.

In some directions, however, a treaty will become necessary for a period of years, and one of the most important of these is, as we shall see below, that of shipping; and in this not only our self-governing Colonies and the great dependency of India have to be considered, but also the Crown Colonies.

The Crown Colonies and Places, as they are officially termed, are, with the exception of those occupied for military or naval purposes, situated within the tropics; while our self-governing Colonies, with the exception of a considerable portion of North Australia, lie in temperate zones.

¹ Colonial Conference (1907) Minutes, p. 420.

² *Ibid.* p. 421.

Sir Charles Bruce¹ points out that this fact is not accidental; and that the justification of responsible Government in a colony rests on "the ability of inhabitants of European descent to form a permanently settled homogeneous community in a climate favourable to their development in the same physical, ethical, and political conditions that have produced the European." These conditions are only to be found in temperate climates.

The self-governing Colonies cover an area of about seven million square miles, and contain a population of 15 millions.

The Crown Colonies (excluding North Borneo, Sarawak, the sphere of the British South Africa Company, and other territories not under the Colonial Office) cover an area of about one million square miles, and contain an estimated population of nearly $27\frac{3}{4}$ millions. This included in 1905 the Transvaal and Orange River Colonies.

Including the sphere of the British South Africa Company and other such districts, the area of the Crown Colonies and Places is over $2\frac{1}{2}$ million square miles, and the estimated population is 36 millions.

Our responsibilities to these tropical Colonies must, therefore, be considered as of very great importance, and the question also arises, what use are they to us?

It has been pointed out that, in the future, the real rivalry between the powers of Western Europe and the United States of America will be, for the control of the tropical and sub-tropical regions of the earth,² for the channels of trade between the

¹ *Royal Colonial Institute Proceedings*, March, 1905, vol. xxxvi., pp. 210-64.

² Benjamin Kidd, *Colonial Institute Proceedings*, March, 1905, p. 255.

temperate zone and the tropics. The life of the modern world rests upon the products of the tropics. The great staples of the world (with the exception of corn) really come from the tropics, and not from the temperate zones, where the self-governing Colonies are, generally speaking, situated.

The products of the Crown Colonies are food and raw materials. As to food, the most important is sugar. Other articles which are becoming increasingly important are tea, coffee, and cocoa, all non-alcoholic beverages. "Surely imperial, philanthropic, and religious considerations mingle in the cause of temperance, which can find no more efficient support than in the substitution of non-alcoholic for alcoholic beverages. Our national drink bill amounts to over £170 millions, and represents a consumption of absolute alcohol per head more than twice as large as the consumption of any of the countries competing with us for the control of the tropics."¹ Many millions of this expenditure might be appropriated to the use of non-alcoholic beverages, largely the produce of the tropics, with equal advantage to the happiness of our people and the prosperity of the Crown Colonies. Rice again, which forms the means of subsistence of one-third of the human race, is a tropical product, while maize, fruit, and tobacco are other tropical articles of consumption.

Of the raw materials produced by the Crown Colonies, cotton and rubber are of the greatest importance. Cotton is essentially a tropical product. Its development in the United States depends upon black men. It is essentially even then a tropical product, extraneous to the United States.²

¹ Sir Ch. Bruce, *Royal Colonial Institute Proceedings*, March, 1905, p. 221.

² Kidd, *Ibid.* p. 236.

Cotton forms the great staple trade of the United Kingdom, and the whole raw material is imported. A vast number of our population are directly or indirectly affected by the fluctuations in its prosperity. In 1904 there was a shortage of raw cotton from the Southern States, owing to the enormous increase in the world's demand, and the results of a shortage are very serious to the United Kingdom, and are spread over a wide area. Such a danger the British Cotton Growing Association will do much to avert, its object being to extend the growth and cultivation of cotton in the British Colonies, Dependencies, and Protectorates. It has been estimated that, under a proper system of organization, the Colonies and Protectorates can produce all the cotton required by the United Kingdom.

It will thus be seen of what vast importance these great tropical possessions are likely to be. "The great trade of the world in the future is not going to be so much between countries in the temperate regions as between those Powers in the regions which they dominate in the tropics."

It is a matter of national importance that the resources of those possessions should be developed by a consistent policy. As yet their development is only in its infancy, and we ask by what means can it be furthered?

When we consider the tropical Colonies, we find that the chief obstacles in the way of their development are the climate and the danger to health, the lack of labour and of organization of industry, the questions of transport and finance.

Turning, in the first place, to the fiscal system of these Colonies, it is noteworthy that no Protection exists. The Crown Colonies have nothing to protect.

They have a number of Customs duties because, being almost entirely dependent on foreign imports, a Customs duty is the most equitable form of taxation. But any duty may be shifted for the purposes of negotiation with a foreign country.

With regard to the imports from Crown Colonies into the United Kingdom, Sir Charles Bruce is of opinion that their produce should be admitted free of all duty, unless the articles imported are subject to excise duties in the United Kingdom. It seems, in fact, a case in which a Zollverein might be established.

But as regards the Crown Colonies, this question is, perhaps, of minor importance compared with those which relate to the immediate development of their resources. As Sir W. Thiselton Dyer has pointed out, their development is the only means of creating the wage-fund, which again is the only taxable basis from which a revenue can be obtained to carry on the government of the Colony. Sir W. Dyer also pointed out that few, if any, of our Crown Colonies and Places are really insolvent, whereas the reverse is the case with regard to the tropical Colonies of Germany.

With regard to questions of health, on which the future of these Colonies so greatly depends, much remains to be done, both by education and research, to further the work of such institutions as the Liverpool and London schools of tropical medicine, and other medical schools in the United Kingdom, which, under the initiative of Mr. Chamberlain, made this study their own. Further, the study of diseases which attack animals alone is in the highest degree important. According to Dr. Livingstone, the greatest obstacle to the civilization of Africa is the tsetse fly,

and here the work of the Royal Veterinary College comes in.

With regard to labour, it must be remembered that, with very few exceptions, the tropical Colonies contain no sufficiency of labour, and Great Britain will have to look to the immigration from Hindustan for a large portion of their supply. The organization of a supply of industry is a matter of the greatest importance, and here the work of the recently appointed Royal Commission on the rules and regulations of the migration of population will have to be considered.

We have also to mention the auxiliary forces towards the development of the Colonies contained in the Royal Botanic Gardens at Kew, the Imperial Institute, and the department of the Crown Agents of the Colonies which are under the Secretary of State for the Colonies.

It was only in 1903 that the relation of Kew to the Colonial Office received official recognition by the appointment of the Chief Official of Kew Gardens as botanical adviser to the Colonial Office. Kew has long acted as a central dépôt, and as a "clearing house" for botanical specimens. For instance, in 1876, it was by this agency that rubber plants were transferred from Brazil to Ceylon and Singapore. Since 1885 Kew has encouraged scientific methods of cultivation by a system of botanic stations. At present there is a complete chain of "Kew men" teaching the native population the rudiments of tropical agriculture on the line of the future Cape to Cairo railway. But with the small staff at present available, it is impossible to prevent resources from being wasted.

In regard to transport, the subsidies given by the

Home Government are of great importance. For instance, the Imperial Direct West India Mail Service Company is aided by a subsidy of £40,000 from the Government at home and in Jamaica, with the express purpose of facilitating the trade in fruit. The contract with this company will shortly expire, but will probably be renewed. The Colonial Office further recognizes the importance of railway construction in opening up undeveloped countries, such as Nigeria. Much British capital has been invested in such enterprises, but much remains to be done.

In cases of international rivalry the Imperial Government has effectually intervened in some cases, for instance, as to sugar, by the Brussels Sugar Convention. This has proved of great value. In fact, the Convention saved the West Indian sugar from destruction by bounty-fed competition, and has given us a supply to remedy the shortage resulting from the comparative failure of the beet crop in 1909.¹

With regard to cotton, the grant of a subsidy of £10,000 a year for three years by Mr. Asquith to the British Cotton Growing Association aims at increasing the sources of supply.

It may be noted that the development of these Colonial resources is almost exclusively dependent on British capital. No loan can be raised without the consent of the Home Government, which is in the last resort responsible for every commitment, and the position of which in this regard has given rise to some striking anomalies.

In any case, the question of material development is of the greatest importance to the native population. "The gospel of work preaches a nobler humanity than that of the office clerk." We must

¹ *Times*, Commercial Supplement, December 17, 1909.

abandon the policy which prescribed education in political methods as the one and only passport to social equality, and substitute training in industry and commerce.

It will be seen that Colonial Preference may come to have a far wider meaning than that usually given to it. When we consider trade relations with our Colonies we generally think only of the great self-governing States, forgetting the far larger population on the smaller area which is more especially a matter for our protection.¹

The division of the Colonial Office into two separate departments, foreshadowed by Lord Crewe in March, 1910, will call attention more definitely to the fact, and will underline the necessity of devising separate commercial arrangements for both branches.

It is not impossible that the United Kingdom may find in the riches of her tropical resources a weapon of the greatest value, if ever the reform of her fiscal system is forced upon her by the exigencies of home, colonial, or foreign politics. But to this we will return later on.

¹ Some of the smaller colonies have special commercial grievances which have long remained unredressed, *e.g.* Trinidad as against the government of Venezuela.

CHAPTER III

RETALIATION

THE desire for retaliation originally sprang from two causes:¹ (1) Disappointment at the non-fulfilment of Cobden's declaration that after five years the whole world would follow our example and adopt Free Trade; and (2) disappointment that Great Britain did not remain the sole industrial country. For though Cobden foresaw the development of the United States, many of his followers believed that this country would remain without a rival.

In the sixties, England, following the policy inaugurated by the Cobden treaty with France in 1860, concluded a series of commercial treaties with Belgium, Italy, Prussia, and the German Zollverein (1865), and further, a navigation treaty with Prussia.²

In 1869 England concluded a supplementary convention by which she obtained the tariff agreed upon between Austria and the Zollverein, and also agreements with countries on the outskirts and outside Europe, such as Turkey and Egypt. These treaties, in the eyes of dogmatic Free Traders, constituted a departure from pure Free Trade tenets; and this party hostile to treaties was in the ascendency after Cobden's death.³

¹ Schulze-Gaevernitz, "Britischer Imperialismus und Englischer Freihandel."

² Fuchs, "Trade Policy of Great Britain," pp. 17-37.

³ *Ibid.* p. 35.

On the other side, the cry for Retaliation, which was suppressed during the prosperous years following the adoption of Free Trade, was heard in 1868, when the period of unprecedented prosperity came to an end, and that cry has been heard ever since in times of commercial depression.¹ In 1868 the Revivers (of Trade) Association was formed in Manchester, and Adam Smith's authority was cited in favour of Retaliation. In 1870 various proposals were made in the House of Commons, including one for a Parliamentary Committee to inquire into commercial treaties with a view to reciprocity. Between 1870 and 1873 there was an extraordinary revival of trade, and the movement dropped. Between 1874 and 1879 another period of depression produced another reaction against Free Trade. In 1877 public attention was attracted by letters in the *Economist* and *Times*, by W. Rathbone and Lord Bateman, which raised the question, How does England pay for her imports?

In 1879 Lord Bateman initiated a discussion in the House of Lords demanding reciprocity in international trade.² Lord Beaconsfield replied: "Reciprocity is dead." In 1879-80 a serious depression in trade swelled the ranks of the disaffected, and produced for the first time the demand for a closer union between the Colonies and Mother Country.

The reason was that during the seventies a tide of Protection had set in on the Continent. In France, Thiers showed protectionist sympathies, and in 1872 obtained the right to denounce treaties with England and Belgium. In 1873 Thiers fell, and a new commercial and navigation treaty was concluded between

¹ Fuchs, "Trade Policy of Great Britain," p. 189.

² *Ibid.* p. 190.

Great Britain and France, which reciprocally guaranteed most-favoured-nation treatment. In 1879 France finally withdrew from the treaties with England concluded in 1860, 1873, and 1874. In spite of the efforts of Léon Say, the protectionist movement in France and the agitation in England made it impossible to conclude any but a most-favoured-nation treaty. The commercial treaties between England and Austria came to an end in 1876.¹ In 1873 an agitation had been begun which compelled the Government to denounce their agreement in 1875, and in 1878 Austria remodelled her tariff on protectionist lines. In 1878-9 the German Empire adopted a Protectionist policy, and England was left with simply a most-favoured-nation treaty. In fact, a policy of Protection was, in one shape or another, adopted throughout Europe.

It was under these circumstances that the agitation against sugar bounties began in England.² A Parliamentary Committee was appointed in 1879, which reported in 1880, as a result of which came a movement in favour of the abolition of bounties by means of a countervailing duty and a cry against "one-sided Free Trade." On this basis was developed the idea of "Fair Trade," or the placing of home and foreign producers on an equal footing with regard to artificial conditions of production; and in 1881 the National Fair Trade League was founded with the following programme:—³

- I. That there be no renewal of commercial treaties unless terminable at a year's notice, so that no entanglement of this kind may stand in the way of our adopting such a fiscal policy as the interests of the Empire—and the action of foreign nations—may render needful.

¹ Fuchs, "Trade Policy of Great Britain," pp. 48-9.

² *Ibid.* p. 83.

³ *Ibid.* p. 195.

- II. Imports of raw materials for home industries free, from every quarter, in order that we may compete successfully in the sale of our manufactures.
- III. Adequate import duties to be levied upon manufactures of Foreign States, refusing to receive our manufactures in fair exchange; to be removed in the case of any nation agreeing to take British manufactures duty free.
- IV. A very moderate duty to be levied upon all articles of food from foreign countries (the same being admitted free from all parts of our own Empire) prepared to take our manufactures in reasonable interchange:—
 - 1. To develop the resources of our own Empire, and to determine the flow of British capital, skill and industry henceforth into our own dominions instead of into Foreign States, when it becomes a force commercially hostile to us.
 - 2. To transfer the great food-growing industries which we employ from Protective Foreign Nations who refuse to give us their custom in return to our own colonies and dependencies where our food will be taken, if not duty free yet subject only to revenue duties almost unavoidable in newly settled countries, and probably not equal to one-third the protective duties levied by the United States, Spain, Russia, etc.

The eighties were the period of the stiffest Protection in Europe. In the various countries, agriculture, which had been hard hit by the vast import of grain from the United States, combined with industry to support high duties. During the period the French, German, Italian, Austrian, and Russian duties were several times raised. Further, in the later eighties, the era of increasing Protection supervened in the United States also.

In England the agitation for Fair Trade continued. In 1883 the manufacturer, W. Farrer Ecroyd, brought a proposal before Parliament, which was rejected. In the middle eighties several crises were produced by the import of grain from the United States and India. Lord Salisbury had spoken in favour of Fair Trade, and great hopes were consequently entertained when he came into power, and shortly after appointed a Royal Commission to inquire into the causes of industrial and commercial depression. The proposals contained in the minority

report of the body rested throughout on the basis of the Fair Trade policy, and gave a great impetus to the Fair Trade movement. In 1887 the Congress of Conservative Associations at Oxford was almost unanimous in a resolution in favour of Fair Trade. But at this time the Conservatives were combined with the Liberal Unionists, who were convinced Free Traders, and Lord Salisbury was obliged to disown the movement. From 1887 to 1891 there was an upward tendency in trade, in which, as usual, the movement against Free Trade languished. In 1891 trade began to decline, and the Fair Traders urged as the principal cause of the decline the McKinley Tariff (1890), which pressed heavily on British industry. They declared that England was helpless in regard to measures of trade policy adopted by other countries, chiefly because by adopting Free Trade she had completely lost her bargaining power. They urged the adoption of fighting or retaliatory duties.

If the United Kingdom appeared helpless in the eighties, in the next decade the dangers which threatened it seemed far greater, and the policies of its opponents far more united and aggressive. The competition of the United States, Germany, and France began to make itself felt in its full strength. The policy of the United States, exemplified in the McKinley Tariff (1890) and the Dingley Tariff (1897), combined the aggressive policy of dumping with a system of almost prohibitive duties. Germany followed the same plan, though not in such a systematic manner. Moreover, the great protective nations were no longer opposed to one another, but had come to agreement, though not till after a period of sharp hostilities.

During the early nineties tariff wars broke out

between Germany and Austria, Germany and Russia, France and Switzerland, and France and Italy. In all these wars the trade of the belligerent countries suffered an enormous loss. As a result, between the years 1890 and 1894 Germany, as the central State of Europe, concluded a series of treaties with the surrounding countries—with Austria, Italy, Belgium, with Russia, and with the United States. This example was followed by Austria, and to some extent by France. The treaties ran usually for twelve years, and as they came to an end in 1904, 1905, and 1906, they were renewed generally for ten or twelve years.¹

The United Kingdom seems, therefore, to be surrounded by a number of protective industrial States increasing in strength, some of which practise against her a policy of aggressive Protection. These States are bound in relation to each other by a series of agreements, extending over a period of years. But the United Kingdom has no agreement with them nor any powers of negotiation, except that of the most-favoured-nation clause.

The result of this situation was, in 1897, the proposal at the Colonial Conference of a system of Imperial Preference, the whole Empire to combine in retaliating against protective foreign tariffs. Finally, it called forth the campaign of Mr. Chamberlain and Mr. Balfour in 1903.

The demand for retaliation was based on the following grounds by Mr. Balfour in his speech at Sheffield on October 1, 1903.² Foreign tariffs, combined with a development of the trust system, have inflicted great injury on the "capital and workmen"

¹ Cf. Percy Ashley, "Modern Tariff History," 1910, pp. 146-7.

² Cf. "Economic Notes on Insular Free Trade," *passim*.

of the United Kingdom. England is not in a position to treat for the extension of free exchange; she has bound herself by "her own pedantry and self-conceit." She has lost her bargaining power by adherence to Free Trade. We require retaliatory duties, or the threat of them, in order to recover our freedom of negotiation as a fiscal inducement. We must be ready for a trifling protective tariff at home in order to secure a great relaxation of protective tariffs abroad.

(To this it should be replied *en passant* that the Sugar Convention shows that England has not lost her power of negotiating, and in the direction of that Convention lies the true remedy of our troubles, as we shall see below.)

On October 7 Mr. Chamberlain spoke at Greenock, and laid down that the great American industries, backed by trusts, invade our markets and ruin our home industries. "Sugar is gone, silk is gone, iron is threatened, cotton will go." He added to this picture the social question. It is impossible to keep up the workmen's standard of life if foreign countries, which care less for these workmen than we do, and work with smaller wages, can compete freely in English markets. They invade our market, and by their protectionist policy reserve their own.

If Mr. Chamberlain wishes to exclude foreign produce by retaliatory duties, apparently these duties must be permanent. Mr. Balfour, on the other hand, regards them as temporary weapons of negotiation, perhaps hardly to be used except as threats. Neither of them has any fear of tariff wars, and the immense loss to commerce which they involve. They see the justification for Retaliation chiefly in the policy of dumping—the raids from

behind high tariff walls with a definite object in view. Most Free Traders condemned Retaliation and Protection alike ; but some Conservatives, such as Lord Goschen, Lord George Hamilton, and Sir Michael Hicks-Beach (now Lord St. Aldwyn), made a distinction, and were prepared in extreme cases for Retaliation. Even Sir Edward Grey does not exclude this policy as hostile to the conception of Free Trade.

With regard to Mr. Balfour's suggestion that the United Kingdom, by adopting retaliatory duties, may succeed in lowering tariffs, it is noteworthy that this is the instance in which Adam Smith justified the resort to Retaliation.¹ "There may be good policy in retaliation of this kind when there is a probability that they will procure the repeal of high duties or prohibitions complained of. The recovery of the great foreign market will generally more than compensate the transitory inconvenience of paying dearer for a short time for some sort of goods." Should, however, the policy not succeed, the result will be the imposition of a protective duty, and it should be recollected that, as the foreign commercial treaties extend over periods of ten years, the weapon could only be used with effect at stated intervals.

But the preliminary question arises : Is there any likelihood that we should prevail upon protective countries to lower their duties against their inclination ? The experience of Sir Robert Peel's Government, which strove for years to induce Protectionist Governments to come to terms, gives us no hope that we should succeed. Peel finally admitted his complete failure, and abandoned all hope of using tariffs as instruments of negotiation. A conviction

¹ Nicholson, "A Project of Empire," p. 168.

of the uselessness of the struggle led him to adopt a Free Trade policy.¹ "Wearied with our long un-availing efforts to enter into satisfactory commercial treaties with other countries, we have resolved at length to consult our own interests, and not to punish other countries for the wrong they do us in continuing their high tariffs upon the importation of our products and manufactures, by continuing high duties ourselves."

Mr. Gladstone's experience, between 1841 and 1845, when he was at the Board of Trade, was the same. He says: "We were anxiously and eagerly endeavouring to make tariff treaties with many foreign countries—France, Prussia, Portugal; and the state of our tariff, even after the law of 1842, was then such as to supply us with plenty of material for liberal offers. Notwithstanding this, we failed in every case. I doubt whether we advanced the cause of Free Trade by a single inch."²

A measure of Retaliation then, instead of leading to a reduction of duties, might bring about a raising of duties, and this policy, should each of the two hostile states continue a stiffening of tariff, would probably end in a tariff war. The enormous cost of such a war, and the loss to the trade of the hostile countries entailed, is sufficiently shown by the tariff wars between Germany and Russia (1893–4), and between France and Italy (1888–99).³ In our case the war might involve us in hostilities not with one power only, but with all the powers now bound together in the central European commercial treaties which threaten to form a central European block.

¹ J. M. Robertson, "Trade and Tariffs," p. 218.

² See "Fiscal Controversy," Mr. Asquith, p. 210.

³ Report on Tariff wars, 1904. Cd. 1938.

It is true that Mr. Chamberlain urged in his Greenock speech that in any such wars the United Kingdom would have a great reserve in the Empire, and that even were we to isolate ourselves, it would be a splendid isolation if buttressed by the dominions across the seas.

It must be admitted that England, should she adopt a retaliatory policy, would be in a unique position. It has been asked :¹ "If ninety-nine mutually opposing tariffs have no reciprocally repressive effect, why should a hundredth alter the situation ? Do the other countries want Free Trade or do they not ? If they do, why do they fight each other with tariffs generation after generation ? If they do not, how should our tariff coerce them all any more than they have coerced each other ?"

But the United Kingdom holds in the vastness of its market a coercive weapon of exceptional strength.

German exports to the United Kingdom are immeasurably greater than German exports to any other country.² The exports of the United States to the United Kingdom³ amounted on an average during the years 1900-4 to little less than one-half of their total exports, and in the years 1905-8 to more than one-third ; while the British Empire apparently still takes nearly one-half of the United States' total exports.⁴ France, in the years 1900-4, out of an annual average of £168·6 millions, exported £51 millions' worth to the United Kingdom, and in the years 1905-8 exported £52 millions

¹ Robertson, "Trade and Tariffs," p. 219.

² Cd. 4954, pp. 29, 63.

³ *Ibid.* pp. 31, 65.

⁴ Sir W. Lyne (Colonial Conference (1907) Minutes, p. 338) stated that the British Empire takes nearly 50 per cent. of United States exports.

annually on an average, out of an average export of £207·8 millions. In the case of the Argentine, Roumania, and Russia, the United Kingdom undoubtedly supplies the best export market.

It is questionable whether these countries would not be ready to make some concession in order to arrive at an understanding rather than submit to a duty which might cripple them in their best market.

But, on the other hand, it must be questioned whether some foreign market may not be to some extent as important to the United Kingdom or to the Empire as the market of the United Kingdom is to foreign countries. *This is only the case in regard to Germany.* The United States took on an average, from 1905-8, £26 millions from the United Kingdom, as against £126 millions of United States exports taken by the United Kingdom. And the United States import from the United Kingdom and British Possessions less than one-half of their exports thereto.¹ But Germany, though she imports less from the United Kingdom than she exports to the United Kingdom, imports goods of greater value from the United Kingdom and British Possessions together than she exports thereto. We have, therefore, to consider whether the United Kingdom might not suffer greatly from a combative duty imposed by such a country. Only in the case where the British Possessions held a practical monopoly of an article essential *e.g.* to a German industry (as is the case with regard to certain Indian products), would Germany be obliged to refrain from imposing a duty. The complete victory of Canada over Germany in 1910 was dramatic evidence that the power to retaliate was of no value to Germany, because Germany

¹ Schulze-Gaevernitz, "Deutschland und England," pp. 52-54.

produces nothing which Canada cannot obtain from other countries, while Canada produces much that Germany is exceedingly desirous to get.¹

It seems probable that England would be in a far worse position to retaliate than Germany, being even more dependent upon the rest of the world than Germany is for her food and raw materials.² We import about 95 per cent. of all the wheat we consume from abroad. We import an immense quantity of other grain, of meat, dead and alive, of tea, coffee, sugar, and so on. We are also entirely dependent upon countries beyond the sea for raw cotton, and largely for raw wool and flax, and for a considerable portion of our iron, our tin, copper, and so on. A war of tariffs would be very costly. We should be playing with the well-being of our traders and workpeople. In the case of European competitors, if against our will we were forced into a war of tariffs, we might win,³ because we are not dependent for absolute necessities upon any European country to such an extent as would make a war of tariffs suicidal, with the possible exception of Russia and the Scandinavian Kingdoms, and there it would be a question which side could hold out the longest. But in the case of the United States, our dependence for raw cotton would play a very important part. The cutting off of the United States supply, would strike a great blow at Lancashire.

The same moral (how useless is the power of retaliation unless the advantages of the country which would retaliate are so great that it is sure to win even without Retaliation) emerges from the successful struggle waged by Canada with the United States. Canada retains her right to discriminate

¹ *Statist*, February 19, 1910.

² *Ibid.*

³ *Ibid.*

by her treaty with France against the United States, and also to give a preference to the West Indies. Yet it was against this right that the United States Government proposed to use their great power of retaliation.¹

An opinion with regard to the position of the United Kingdom is expressed by Professor A. Marshall in his Memorandum to Parliament "on the Fiscal Policy of International Trade" (p. 23, § 71), in the following words: "England is not in a strong position for reprisals against hostile tariffs, because there are no important exports of hers, which other countries need so urgently as to be willing to take them from her at a considerably increased cost; and because none of her rivals would permanently suffer serious injury through the partial exclusion of any products of theirs with which England can afford to dispense." Nevertheless, Professor Marshall is of opinion² that England, granting to every nation with which she deals better terms than that nation gets from any other, has a right to demand in return most-favoured-nation treatment. The nations should be given to understand that a refusal of most-favoured-nation treatment "would be regarded as an unprovoked injustice, and that in extreme cases it would be met by hostile reprisals. Such reprisals would be like declarations of war; that is to say, they would be expected beforehand to be very expensive; and, even if successful, to injure the country which made them, nearly as much as the country assailed by them. They would, therefore, make use of all the weapons of financial combat concentrated against the offenders."

¹ *Statist*, April 2, 1910.

² "Memorandum by Mr. Alfred Marshall on the Fiscal Policy of International Trade," November 11, 1908, p. 24, § 73.

Much more detailed evidence than now exists would be required as to the sources from which foreign countries derive the products which they also import from the United Kingdom, before any estimate could be formed as to the degree in which foreign countries could dispense with or bear an increase in the expense of British goods. For instance, the extent to which foreign countries are likely to retaliate by increased duties, for example on cotton goods from the United Kingdom, depends on whether these goods are of such a nature that England has what approaches to a monopoly in them, and whether or no such cotton goods are considered indispensable by that foreign country. From the foregoing arguments and opinions, it seems in the highest degree doubtful what would be the issue of a tariff war waged by the United Kingdom.

A still more important question is, upon what articles must the United Kingdom retaliate in order to hold an effective weapon against various protective countries. Mr. Balfour has declared that the country is not ready for a tax upon food; Mr. Chamberlain, that he will under no circumstances tax raw material. Therefore we must put a duty on manufactured articles.

But shall we by imposing such a duty hold an effective weapon wherewith to strike the countries against the protective policies of which we require it? Here we are led to ask (1) what are the countries the protective policies of which do us most harm, and (2) which are the countries from which we import manufactured articles, and which would therefore suffer most from our proposed retaliatory policy?

(1) Russia maintains on the principal manufactures imported from the United Kingdom an

average *ad valorem* duty of 131 per cent., the United States 73 per cent., Austria 35 per cent., France 34 per cent., Germany 25 per cent., Belgium 13 per cent.¹ But it may be observed "the protective effect of a tariff is not necessarily proportionate to the average range of duties. A 25-per-cent. duty in Germany may give as complete protection to a native industry as a 100-per-cent. duty in a backward country."

(2) We import articles classified as manufactured and partly manufactured to the value of £125 millions on an average taken from 1905 to 1908.² The countries from which we import manufactured articles are Russia, the United States, Germany, Holland, Belgium, France. From the Blue Book, Cd. 4954, pp. 76-7, it appears that the manufactured and partly manufactured articles imported amounted on an average over the years 1905-8 to £32·4 millions from France, £35·8 millions from Germany, and £28·3 millions from the United States. As duties must only be imposed upon manufactured articles, it is upon these countries that we shall have the greatest apparent power of retaliating.

Now the imports of manufactured articles from Russia appear to have been a few years ago £3·5 millions,³ and among them were included hemp, dressed and undressed, oil and seed-cake, etc., all essentially valuable to our manufactures. Among the imports from the United States classified by the Board of Trade as manufactures, are copper, leather, petroleum, slates, zinc, etc., upon none of which it

¹ Kennedy, *Society of Arts Journal*, 1905, March.

² Cd. 4954, p. 59.

³ *Nineteenth Century*, December, 1903, "Balfour and Retaliation."

would be advisable in the interests of home manufactures to put a duty.

Much more information, than is at present available, must be obtained before a policy of retaliation could be adopted which would be effective as a weapon while inflicting as little harm as possible on the home manufactures. It would be necessary to know exactly what imported articles are comprised under the designation "manufactured and partly manufactured," and in what values and what stage of manufacture. Further, it must be borne in mind that an article designated as "manufactured" may still be the raw material of some more highly finished product.

If information is lacking with regard to the exact nature of imports, this is even more the case with regard to the nature and extent of the aggressive protection known as "dumping."

In the opinion of Professor von Schulze-Gaevernitz,¹ it was the dumping policy of Germany and the United States which brought about the most powerful demand for Retaliation. The indignation raised by dumping constitutes the gravest danger for the future of Free Trade in England.

England herself has been the greatest dumper in the past. She dumps when she has over produced, but her dumping is unscientific. It is scientific dumping by raids from behind high tariff walls that is harmful. Such dumping is made possible by the existence in protective countries of the giant organizations known as trusts and cartels, which by means of a high tariff practically exclude foreign competition and secure the home market. In this way they are enabled to extend their production, and can then

¹ "Britischer Imperialismus und Englischer Freihandel," p. 235.

lower the cost of production and adopt the most perfect machinery. Home prices are maintained at a high point by the monopoly of the trust or cartel, which is thus able, owing to vast profits in the home market, to sell in the foreign market at a very low price, and even below cost price. The difference in prices in the foreign market and in the home market appears often to be very great.

It is not easy to ascertain to what extent dumping has been harmful. On the one hand it is urged that it is principally semi-manufactured articles which have been dumped, and that this has been an advantage to the manufacturer, who uses them as material. It is suggested that the United Kingdom should drop the industries threatened by dumping, import the semi-manufactured articles, and found more highly finished industries on them. "Old Countries," it is said, "must look not so much to their primary industry for the expansion of their trade as to the more complicated and secondary processes of manufacture." On the other side, however, it is pointed out that the foreign material will only be cheap as long as British competition remains. The object of the cartels, which are not yet so highly organized as the trusts, is at present only to relieve the German market in times of depression by selling abroad below the domestic price. But the policy of the American trusts is continuous and scientific, and appears to aim at the destruction of British industry by persistent underselling. It is not to be imagined that, once the industry has been abandoned by the British manufacturer of semi-manufactured articles, the foreign trust or cartel will continue to sell at the previous low price.

We have very inadequate means of ascertaining

in what trades and to what extent dumping is practised. It certainly occurred in the sugar industry at any rate, until the conclusion of the Brussels Convention, but it was considered an advantage by the confectioners, jam makers, and manufacturers of mineral water, who thus obtained the said material cheap.

Of the great staple industries, iron appears to have been subjected to the most powerful attack.¹ The United Kingdom now imports more iron and steel than any country in the world, and the question arises of what kind are these imports? Sir Hugh Bell² considers that they are of three kinds: (1) Articles which we do not and cannot produce here; (2) articles which for some reason a foreign country is ready to sell cheap, and which the buyer sees his way to convert with advantage; (3) some speciality which has been cultivated abroad.

He estimates that the imports amount to slightly over 10 per cent. of the total value of the trade. He considers further that, as these imports have been mainly half-manufactured goods and raw materials, England has been fortunate in securing cheap steel from the Continent. He urges that foreign competition acts as a healthy stimulus, forcing the English iron-masters to turn their attention to new methods, if they are threatened in the old ways (*e.g.* the Cleveland iron-masters). It is a sign of vitality in an industry that it can easily adapt itself to changing conditions.

With regard to the shifting of capital and labour, Sir Hugh Bell declares that "to some small extent

¹ Schulze-Gaevernitz, "Britischer Imperialismus und Englischer Freihandel," p. 278.

² *Independent Review*, October, 1903.

there has been a shifting of activity from the making to the utilization of unwrought steel, but the labour thrown idle in the former occupation has been more than made good by the additional labour required in piling on more and more labour in the production of the finished articles." The tendency, he holds, will probably continue. To grumble at it is equivalent to complaining that the shoe manufacturer does not keep his own herds and tan his own leather. Professor von Schulze-Gaevernitz, on the other hand, points out that whereas British imports used to consist of articles which did not compete with English products, they now consist of wire girders, and the requisites for shipbuilding, in which England used to possess a monopoly.¹

Sir Hugh Bell declares that, owing to the policy of the trusts and cartels, the United Kingdom is enabled to obtain raw material cheaper than the trusts will provide in their own markets, and thus the British manufacturer is at an advantage as compared with the foreign manufacturer. But in making this statement he does not look far enough. In saying that the articles dumped are such as the foreign country is for "some reason" or other ready to sell cheap, he does not inquire what the reason is.

Surely the reason is that the trust or cartel hopes, by underselling in the foreign market, to ruin the home producer. A commercial conspiracy, "a raid," though it may not last long, may last long enough to destroy a branch of industry. Sir Hugh Bell and Free Traders would reply, what of that, if the dumper supplies the raw material to the manufacturer cheaper than the home producer formerly

¹ Schulze-Gaevernitz, "Britischer Imperialismus und Englischer Freihandel," p. 278.

did ? But is it probable that, once in control of the market, the trust would abandon the policy which it practises in home markets, of forcing up prices ?

Moreover, there is the danger that the destruction will extend from "primary forms" to the whole of a "primary industry."¹ The cartels and trusts controlling raw material have made existence sufficiently difficult for the manufacturers in countries where these are also organized to a high degree. How much more difficult can they make it in the United Kingdom where such highly developed organizations do not exist ? The trusts and cartels which make raids into England thus, it is urged, discourage the employment of capital in British industry and the full employment of British labour. And they are responsible for the restriction of the United Kingdom exports.

In the iron industry, for instance, the increase of the export of iron and steel and the manufactures thereof, and also of machinery to the principal protected foreign countries, has been extraordinarily small compared with the increase of the United Kingdom exports of these articles to other markets.²

It seems as if a way might be found for dealing with these trusts and cartels in the iron industry on the lines of the Brussels Sugar Convention.³ In this case England fought successfully against both direct and indirect, open and hidden export bounties. The exporting countries renounced export bounties, fearing British retaliation. The case of iron and steel is even more important than that of sugar. It

¹ Ashley, "Tariff Problem," p. 118.

² Cd. 4954, pp. 85-6.

³ "Russian Affairs," p. 614 ; and Schulze-Gaevernitz, pp. 236-9. This idea was originally suggested to me in a conversation by Professor von Philippovich, sometime Rector Magnificus of the University at Vienna.

is one of the great staple industries, and other industries of supreme importance are dependent on it.

The United Kingdom could, in this industry, bring as great pressure to bear as she could in the case of sugar. The United Kingdom market is of very great importance to the exporting countries, and so too, especially in the case of the United States, are the Colonial markets.

According to Schulze-Gaevernitz, as the only thing which makes dumping possible for any length of time is very high protective duties, England would have to proceed, as in the case of sugar, against these duties. It is excessive duties which constitute indirect bounties, by making it possible to undersell in foreign markets.¹ Schulze-Gaevernitz further thinks that Germany ought to give up excessive duties which make hidden bounties possible. England is justified in considering them unfair.

In the Sugar Convention, the contracting parties bound themselves to remove all direct and indirect bounties. Among indirect bounties were classed the advantages which sprang from any duties exceeding certain limits laid down in an article of the Convention. Surely this is an example which might well be followed in the iron industry?

Canada combats the dumping policy by inserting into her tariff a "dumping clause," which subjects the articles dumped to a supertax equal to the difference between the price at which the articles are sold in the home market and the price at which they are sold in Canada. (Cf. Fielding, Budget Statement, 1904).

Schulze-Gaevernitz is of opinion that if the United Kingdom succeeded in establishing an international level of iron duties on the lines of the Sugar

¹ Schulze-Gaevernitz, "Deutschland und England," p. 5.

Convention, it would constitute the greatest triumph of Free Trade (though, by the way, some Free Traders, including Mr. Asquith, were opposed to the Sugar Convention). The duty established would be so low as to make a great difference between home and foreign prices impossible.

Over against the opinion held that the United Kingdom by threatening retaliation might stiffen the protective tariffs of foreign countries, there must be set the opinion of Professor Cunningham.¹

He declares that Free Trade may be promoted by retaliatory duties. "If in the United States of America a vigorous agitation against protected industries were begun by the wheat growers, it is not unlikely that a large number of dissatisfied labourers would rally to the cry, and that the artificial system that has been built up would collapse. Under these circumstances I hold that we may be well advised in initiating the attack." We have seen that the Canadian grain growers have already expressed their disapproval of Protection; and indeed the tendency abroad against high duties seems in many directions to be gaining ground.

There is, however, the possibility that by excluding foreign goods from our own market, where we can best combat such dumping as exists, we shall divert their attack to the colonial markets, and the neutral areas which are of great importance to us, and where resistance to a dumping policy will be far more difficult.

There arises further the point that a policy of retaliation would call forth the protest that our most-favoured-nation treaties were being violated.

¹ Cf. *Quarterly Review*, November, 1903, "Retaliation and Reciprocity."

This leads to the question of the usefulness of those treaties. Free Traders hold that the United Kingdom, in virtue of its most-favoured-nation treaties, is in as favourable a position in making commercial treaties as any protective countries.

Against this must be set the opinion of Sir Edward Law,¹ Sir Charles Kennedy, and the conclusions of the Tariff Commission, especially with regard to the engineering trade. According to the Free Trade argument, no country can give to any other country specially favourable treatment without according the same treatment to the goods of the United Kingdom, owing to the existence of the most-favoured-nation treaties. But this view entirely ignores the minute sub-divisions of scientific continental tariffs. The protective countries, in making their treaties over a long period, naturally make mutually favourable arrangements with regard to the article in the export or import of which they are most concerned. Preference may be given under these treaties to articles which we either do not export or only export in small quantities. For instance, take claret,² in regard to which the lower duty granted to France in the German tariff is extended to us. We do manufacture wine, but not claret. Again, the United Kingdom may export to a protected country (*e.g.* Germany) an article similar to an article for which another protective country has obtained a reduced duty, but if it varies to a very slight extent it may come under a different classification and may then be subject to the general tariff. What weapon has the United Kingdom by which to obtain better treatment? Sir Edward

¹ Law, *National Review*, July, 1903.

² Debate on Address, Cf. Tryon, February 24, 1910. Report, p. 386.

Law has shown how futile are the efforts of the British negotiator. He is assured that Great Britain will receive most-favoured-nation treatment, as indeed she may, yet her goods may be subject to the general tariff. For it is possible that no other country has obtained specially favourable treatment for the articles which according to the division of the tariff are in the same category as those of the United Kingdom. The knowledge that the British negotiator has no force behind him (such as is possessed by the negotiator of the protected countries) and is prevented from retaliating, is a weapon in the hands of the protective Governments.

Sir Edward Law sums up his arguments in the statement: "The real fact is that most-favoured-nation privileges constitute no guarantee against the common practice of showing less favour to British trade than to that of any other country." He points out that the United Kingdom has to pay the duties on oversea imports, which are in some cases higher than those on overland imports.¹

Sir Charles Kennedy declares that at present, and most probably in the future, the most-favoured-nation clause only prevents separate and specific differential treatment of British goods in foreign tariffs, and does not confer any distinct advantage or security.

¹ Sir Edward Law: "The British representative—when a European Government is about to frame a new customs tariff—fails to make the slightest impression, because the German negotiator, *e.g.*, knows that England will continue to buy the produce of his country no matter what may be the rate of duty imposed, *e.g.*, on cotton goods.

"He assures the British representative he shall enjoy most-favoured-nation privileges. The upshot of the negotiations is that cotton goods coming from England will not be taxed higher than cotton goods from elsewhere, 'it being perfectly well known that England is the only country from which they will be imported.' But this does not secure any favoured treatment for cotton goods."

According to the report of the Tariff Commission on Engineering,¹ by means of minute classification, the advantages which would be secured by the most-favoured-nation clause are made illusory, and British products remain, to all intents and purposes, subject to the general tariff of the foreign country and not to the lower tariff based upon conventions. Moreover, under existing conditions, the prospects of British trade under most-favoured-nation treatment may be at any time injuriously affected by a commercial dispute between two European countries which has no reference to the United Kingdom, but which does have the effect of cancelling the conventional rate which we get under the most-favoured-nation clause.

This is true; but the question comes up at definite periods, when treaties expire and of this we have notice.

It may be observed, finally, that if, in spite of the objections to the policy, it were found necessary to resort to Retaliation, it would be of use only at the time of the making of commercial treaties.

Continental countries have settled their tariff relations over a period of years. Their treaties come up for renewal in the years following 1914. That is the moment when the United Kingdom, if she finds it necessary, will be able to wield the weapon of Retaliation with any effect. Until that time, any attempts to retaliate on any country will be met with the reply that the country is bound by her commercial treaties with her neighbours, which she is powerless to amend, except at the prearranged fixed times when they come up for discussion.

¹ Section 32.

CHAPTER IV

TARIFF REFORM

It has been seen how the Protectionists, practically a negligible quantity since the time when Disraeli led the Conservative party to subscribe to Free Trade, appeared only in times of depression, to disappear again with returning prosperity. But towards the end of the century, in the nineties, the party which was in the new century to advocate Protection under the name of Tariff Reform, began to gain in power.

For this there were two reasons. First, there was a vast development of Imperialist feeling. The Colonies, which had been neglected almost equally by both parties, became gradually at the close of the century the central point of interest. In 1887, the first Colonial Conference took place, with its demand for preference, and Hofmeyr's proposal of a two per cent. import duty for the whole Empire to meet the requirements of defence.

In 1894, there was the Conference at Ottawa, at which the Colonies expressed their conviction of the expediency of abating duties between Great Britain and the Colonies. In 1895, Mr. Chamberlain became Colonial Secretary, and under him the Colonial Office at once enormously increased in importance. In 1896, Mr. Chamberlain, speaking at the dinner of the London Canada Club, expressed the opinion that a

Customs Union (Zollverein) was possible, that is if the Colonies removed their duties. In 1897, the second Colonial Conference took place in London, and in the same year Canada gave the United Kingdom a preference, which was raised to $33\frac{1}{3}$ per cent. in 1900. In 1899, the South African War broke out, being in fact an attempt on the part of an important part of the Empire to secede, which brought the whole of the rest of the Empire into line.

Secondly, the system on the Continent was changed. Instead of having to deal with a number of conflicting Protectionist States, the United Kingdom found itself in the nineties confronted by a phalanx of powers bound together by commercial treaties in an organization lasting ten years, in which it had no part. In the opening years of the new century, from 1903 onwards, these treaties were renewed, mostly for a period of twelve years ; and the United Kingdom found itself commercially isolated.

Thus both internal and external pressure appeared to be forcing the Empire to closer union.

At first Mr. Chamberlain appeared to be actuated by political rather than by commercial considerations. "Think imperially," meant politically, the idea being to bind the old country to the young Colonies.¹ Tariff Reform from this point of view means strengthening the Empire by emigration and settlement.

Stress was laid on the dangers which threaten the political organization of the Empire. Canada and Australia are new nations with separate ideals, and there are tendencies making towards political separatism at work among all the greater self-

¹ Schulze-Gaevernitz, "Britischer Imperialismus und Englischer Freihandel," pp. 168-70.

governing Colonies. Mr. Chamberlain held that the present relations between the Mother Country and the Colonies could not be maintained. They must either be strengthened or vanish. He drew attention to the fact that Cobden definitely stated that a free trade policy leads to the dissolution of the Empire.¹ To reach a closer union the bond of blood and common civilization must be strengthened by a "bond of interest." On May 15, 1903, Mr. Chamberlain, speaking at Birmingham, declared that the Colonies were demanding preferential treatment and had already, in the instance of Canada, taken the first step. He insisted that we must change our fiscal system since it does not allow us to favour our Colonies. His idea of the British Empire was a united, self-sufficing, self-sustaining realm. He wished in the first place to recover the power of retaliating against those countries by whom British or Colonial goods are treated unfavourably, and secondly to give a preference to the goods of British Colonies.

On May 28, in the House of Commons, Mr. Chamberlain admitted that in order to benefit the Colonies a tax must be put on the means of subsistence.² He did not deny that it would raise the expenses of working men, but in return promised that social reform, *i.e.* old age pensions, would come within the range of practical politics. Within a few

¹ Cf. Letter, 1842, Morley, vol. i., p. 230. Furthermore, Cobden wrote on October 7, 1836: "The Colonies, army, navy, and Church are, with the corn laws, merely accessories to an aristocratic government. John Bull has his work cut out for him for the next fifty years to purge his house of those impurities." This quotation occurs in "Cyril," ninth edition, p. 644, and was taken therefrom by Mr. Chamberlain and used in the House of Commons later on in 1903. Mr. Chamberlain afterwards wrote to ask me for the context. As far as I recollect, I took it from an old *Edinburgh* or *Quarterly Review*.

² Lang, "Hundert Jahre Zollpolitik," pp. 446-7.

weeks, in spite of the tepid support accorded by Mr. Balfour and the open opposition of many of the Conservative leaders, Mr. Chamberlain took a great step forward. From insisting on the necessity of preferential treatment he advanced to a policy of complete Protection, explaining at the Constitutional Club, that industrial articles imported from abroad deprived the British working man of his accustomed occupation and forced him to emigrate.¹

In a further speech, contrary to his statement in the House of Commons, he declared that the duty on corn might make the cost of living cheaper for the working man if the duties on the other necessities of life were removed. Moreover, in a letter to a Birmingham working man, he committed himself to the statement that a rise in the cost of living would raise workmen's wages, citing Germany and the United States as examples of countries where this had occurred.

Finally, in a speech delivered at Glasgow on October 6, 1903, Mr. Chamberlain made the following concrete proposals:—²(1) A duty on foreign corn not exceeding 2s. a quarter. No tax whatever on maize, because it is a food of some of the poorest, and is also raw material for farmers. A corresponding tax on flour, to give a substantial preference to the miller. (2) A duty of about 5 per cent. on foreign meat and dairy produce. Bacon was excluded, "because it is the popular food of some of the poorest of the population," in fact a staple food. (3) Remission of three-quarters of the duty on tea and half the duty on sugar, with a corresponding reduction on cocoa and coffee.

¹ Lang, "Hundert Jahre Zollpolitik," p. 448.

² Gilmour, "Fiscal Controversy," p. 40.

By an elaborate calculation, Mr. Chamberlain endeavoured to show that, even on the assumption that we pay the whole of the new taxes ourselves, not only would the cost of living not be raised, but the agricultural labourer would be half a farthing a week better off and the artisan would be exactly the same. For the sake of the working man's employment he proposed to put a duty on manufactured goods imported, not exceeding 10 per cent. on the average.

While Mr. Chamberlain was elaborating this scheme, Mr. Balfour, the official head of the Conservative party, was making statements of a very different nature. In his *Economic Notes on Insular Free Trade*, and in his subsequent speech at Sheffield, he maintained that England was not ready for a tax on food. While declaring himself a Free Trader, he insisted on the necessity of retaliatory duties in order that the United Kingdom might have a weapon—the policy urged by Fair Traders for many years. In many other directions, Mr. Balfour, while he insisted on the union between himself and Mr. Chamberlain, differed from him in opinion. Mr. Chamberlain in his Greenock speech, speaking of the decay of our industries, declared that “sugar is gone, silk is gone, iron is threatened, cotton will go,” while Mr. Balfour saw no signs of present decay in industry, though he declared that he would rather look to the “dynamics of industry.”

These and other contradictions bred great divisions within the party. Moreover Mr. Chamberlain's utterances with regard to the food tax were looked upon with grave distrust by many of the leading Conservatives. They regarded his proposals as a gamble in the food of the poorer class, and already

in 1903 the Unionist Free Trade Association was formed, under the presidency of Sir Michael Hicks-Beach. In September, not only did Mr. Chamberlain leave the Cabinet, but also the undoubted Free Traders such as Ritchie, the Chancellor of the Exchequer; Lord George Hamilton, Secretary of State for India; Lord Balfour of Burleigh, Secretary for Scotland, resigned their offices. They were soon followed by the Duke of Devonshire.

In the country meanwhile, Mr. Chamberlain had been winning the great landowners.¹ The Tariff Reform League came into being with the Duke of Sutherland as its president, and among its strongest adherents were the Dukes of Argyll, Abercorn, Westminster, and Marlborough.

But in the industrial world, Mr. Chamberlain found little support. In July, 1903, a meeting held in Manchester, consisting of cotton manufacturers and operatives, condemned all duties which might lead to an increased cost of living. In October, 1903, Sir Hugh Bell, in an article in the *Independent Review*, repudiated Mr. Chamberlain's suggestion with regard to the iron trade, and denied that it had anything to gain from a protective policy. In December, a Congress of Trade Unions at Leicester adopted, by a majority of 458 votes to 2, a resolution emphatically condemning Mr. Chamberlain's proposed change of commercial policy as most harmful and dangerous to the best interests of the people.²

Mr. Chamberlain's proposals in the autumn campaign of 1903 were criticized as sharply by the former leaders of the Conservative party as by the

¹ Lang, "Hundert Jahre Zollpolitik," p. 450.

² *Ibid.* p. 452; and Schulze-Gaevernitz, "Britischer Imperialismus und Englischer Freihandel," p. 299.

Opposition. In the first place, both parties resented the fact that the policy was launched without any independent inquiry, when it should have been preceded by the most careful investigation. It was denied that Mr. Chamberlain had a case. He had not proved that Free Trade had failed to secure prosperity for the country, nor had he shown that the remedy would not be worse than the disease (as was feared) even if the disease did exist ; or that the scheme would bind the Empire more closely together and that the Empire would fall to pieces without it.

Mr. Asquith and Lord George Hamilton ¹ pointed out that Mr. Chamberlain had made export the sole criterion of prosperity, ignoring the home market, which is of greater value to the home trade. They dwelt upon the importance of the services which England renders to foreign countries and upon her position as the creditor of the world. Lord George Hamilton moreover urged the importance of India as a customer, and the necessity from an Indian point of view of maintaining Free Trade. He further pointed out the danger of tariff wars and the almost inevitable corruption which Protection brings. There was general distrust of the figures with which Mr. Chamberlain sought to substantiate his argument and of the data from which he started.

But most of all opposition was aroused by the proposed tax on corn, which was resented as a gamble in the people's food. Mr. Asquith and Lord Goschen united in attacking the proposal, pointing out the danger that the duty might be increased and urging the example of Protectionist countries. Lord Goschen laid stress on England's dependence on her foreign

¹ Cf. Gilmour, "Fiscal Controversy."

supplies, and on the fact that the agriculturist at home and the farmer in Canada would both be anxious to increase the duty further and thus inevitably raise the price of food. It was this question perhaps more than any other that drew forth the hostility of both Mr. Chamberlain's political opponents and of his former supporters.

By the beginning of 1904, the Tariff Reform movement had made no great headway. From February 8 to 15, the House of Commons, in the absence of Mr. Chamberlain in Egypt and of Mr. Balfour also through illness, debated as an amendment on the Address a motion of Mr. (now Lord) Morley to the effect that "any return to protective duties, more particularly when imposed on the food of the people, would be deeply injurious to our national strength, contentment and well-being."¹

The motion was lost by 327 to 276, that is by 51 votes. The Government majority at the 1900 election had been 134, and the *Times* acknowledged that the Government majority, which had latterly been 100, had on this motion been reduced by one-half.² Even so, certain Conservatives who were strongly opposed to a tax on food and on industrial articles and who had most vehemently denounced Mr. Chamberlain's plans, did not vote for the amendment. Mr. Gerald Balfour, President of the Board of Trade, declared his adherence to a policy of Retaliation as consistent with Free Trade principles, and to a policy of Preference, if the public were for it, while he dissociated himself from Mr. Chamberlain's Protectionist policy. Sir M. Hicks-Beach maintained that the policy of Retaliation must be separated from

¹ Cf. Hansard.

² Lang, "Hundert Jahre Zollpolitik," p. 491.

that of Colonial Preference, and declared that he had the Prime Minister's assurance that duties on food and a 10 per cent. industrial duty formed no part of the Government's plans. He was of opinion that retaliatory duties need not be lasting. In the same way Lord George Hamilton, clinging to Retaliation, saw no reason for voting against the Government.

The difficulties of the Government during the two years preceding the General Election of 1906 were very great. Every effort was made to keep the party together. For should the Liberals come into power it seemed practically certain that one of the leading questions which would be raised would be that of Home Rule, which was generally regarded by the Unionist Party as far more dangerous than Mr. Chamberlain's proposals, much as they were disliked. But not even in the face of these dangers was the Unionist Party able to conceal the ever widening disruption in their midst, a disruption which led to the overwhelming defeat at the General Election of 1906.

In the General Election itself Home Rule played but a small part, owing to the pledges given by the Liberal leaders that it was not one of the issues of the battle, which was undoubtedly fought and won on Free Trade.

TARIFF REFORM SINCE 1906

Between the General Election of 1906 and that of 1910, the general trend within the Unionist Party was towards the elimination of the Unionist Free Traders (*e.g.* Lord Robert Cecil, Mr. Gibson Bowles, and Mr. Abel Smith). Moreover the programme was hardened in the direction of Protection. But

in 1910, under the influence of the Election, there was a tendency towards moderation, and several important concessions were made.

Fears as to the effects of Tariff Reform lay chiefly in the possibility of an increased cost of food in consequence of the proposed tax on corn, and the resulting increased burden on the working classes. With a view to allaying anxiety on this point, Mr. Balfour declared at York, on January 12, 1910, that he, as well as Mr. Chamberlain before him, had laid down as a principle that no change that they might now or hereafter make in the fiscal system, should cause an alteration of the proportionate burden upon the different classes to the detriment of the poor.¹

Further a pledge was published, signed by Mr. Balfour and Mr. Chamberlain, which ran: "Tariff Reform will not increase the cost of living of the working-classes nor the proportion of taxation paid by them, but it will enable us to reduce the present taxes on articles of working-class consumption and will lessen unemployment and develop our trade with the British Possessions beyond the seas."

In substantiation of this statement, Mr. Balfour and others insisted that the price of wheat depends upon the world's supply. By bringing the vast undeveloped lands in the Colonies under cultivation, and thus enormously increasing the area of corn supply, we should rather ultimately diminish the price.² In general, it was denied that the small uniform duties proposed would raise the cost of living.³

¹ Cf. *Times* report, January 13, 1910.

² Mr. Balfour, Trowbridge, January 17, 1910.

³ Mr. Balfour, York, January 12, 1910; Lord Milner, Huddersfield, December 17, 1909.

With regard to shipping, shipbuilding, and cotton, other assurances were given. It was declared that Liverpool should be a free port. Further, in regard to shipbuilding, Mr. Bonar Law¹ pointed out that Germany had, in this respect, a system of free trade as complete as our own. Everything used in the construction of a ship, from a rivet to an anchor, could be imported into Germany without any duty. Mr. Law expressed his conviction that a Unionist Government, in framing a tariff, would adopt the principle prevailing in Germany. Mr. Balfour² gave an assurance that no import duty would be put either on cotton or on rubber. A subsidy was to be offered for the encouragement of cotton-growing within the Empire.³

Beyond these concessions, the belief of Tariff Reformers is also seen in Mr. Balfour's election address.⁴ In the paragraph dealing with Tariff Reform he says: "only by Tariff Reform can you hope to retain Colonial preference; only by Tariff Reform can you hope to modify commercial treaties in your favour. Only by Tariff Reform can you secure from unfair competition the home producer in the home market. It will do no injury in neutral markets. Is it credible then that it will not keep capital here, that would otherwise go abroad? Is it credible that if it does, the demand for labour will not increase?"

Much stress was laid throughout the Election on the need for Colonial Preference, on the benefits to be expected from the encouragement of Colonial corn, on the advantages already derived by our

¹ Mr. Bonar Law, Jarrow, December 22, 1909.

² Mr. Balfour, Trowbridge, January 17, 1910.

³ *Times*, December 10, 1909.

⁴ *Times*, December 11, 1909.

manufactures from the Colonies, on the urgency of cementing the Imperial Union and of not "slamming the door" in the face of the Colonial gift of preference.¹

Again, Tariff Reform was put forward as a need for purposes of revenue "to broaden the basis of taxation." Mr. Balfour declared² that the old taxes, framed with the idea that we were never to put on an import duty unless there were a corresponding excise, were incapable of raising the revenue at the new rate of expenditure. It was pointed out that the taxation of beer, tobacco, and spirits, from which (including licenses) the Chancellor of the Exchequer (Mr. Lloyd-George) proposed to draw £6 millions out of £14 millions additional revenue, would no longer bring in the amount anticipated.³ Further, Mr. Balfour dwelt on the helplessness of the United Kingdom in foreign negotiations, declaring that Tariff Reform would prevent her from being the victim of the foreign diplomat and the prey of foreign combinations.⁴

But most of all stress was laid on the anticipated effect of Tariff Reform on the productive power of the nation and hence on employment. Lord Milner declared⁵ that our first concern was with the amount of national production, and stated that Tariff Reform would bring more activity of industry, more enterprise, more work, "Increase the total amount of national output from which the wages of the workers, the profits of the capitalists, and the revenue of the State are alike derived." "There is no

¹ Mr. Balfour, Hanley, January 4, 1910.

² Bradford, January 15, 1910.

³ Lord Milner, Huddersfield, December 19, 1909.

⁴ Trowbridge, January 17, 1910.

⁵ Huddersfield, December 17, 1909.

profitable increase of foreign trade except that which results from the positive increase of the total national production, from our buying more because we have more to sell." He declared that he would not diminish imports but alter their character; increase the proportion of raw materials imported and diminish the proportion of fully finished articles.

In the same way, in the general Tariff Reform literature, chief stress was laid on the question of employment. Tariff Reform, it was said, by giving security to capital and industry, would increase employment. Witness the watchwords in the party pamphlets :

Tariff Reform	will give you work.
„	„ and employment.
„	„ and British work for British hands.
„	„ means better times.
„	„ helps British industry.
„	„ means better wages.
„	„ means work for all (<i>Daily Express</i>).
Free Imports	starve skilled workmen.
„	„ produce out-of-works.

So, too, Mr. Chamberlain in numerous letters to Tariff Reform candidates, *e.g.* "I am sanguine that by such a scheme good trade and full employment may be secured" (letter to Mr. Paget, January, 1910). "Tariff Reform means more work for all" (letter to Mr. Foster, January, 1910).

There is no doubt that the tone of moderation on the part of Mr. Balfour, with regard to the general question of Protection, had a considerable effect on the course of the General Election. It will be enough to cite the letter of so staunch a Free Trader as Sir Robert Giffen, printed in the *Times* of January 17, 1910, on the subject of Free Trade Unionists and Tariff Reform candidates. After complaining that the Liberal Government, for which he had voted in

1906, had used its victory, not on behalf of Free Trade and policies consistent with it, but on behalf of Socialism and the practical confiscation of property, Sir Robert went on to say that Mr. Balfour had "shown most conclusively that some of the points most strongly urged by Tariff Reformers are consistent with Free Trade ideas and practice, that import duties as such are not opposed to Free Trade, nor are they altogether to be rejected if they have incidentally a slightly protective effect." Sir Robert added that food taxes are not inconsistent with the principles of Free Trade, that there is a great deal in common between Free Traders of the old school (of Adam Smith and Gladstone and even of Cobden) and the more moderate Tariff Reformers; and finally, that a little experimenting with Tariff Reform ideas would be at least safer than experimenting with Socialism and Home Rule while neglecting the national defences.

The same tone of moderation with regard to the general proposals of Tariff Reform and further of confidence with regard to the effect on unemployment may be observed in the debate on the Fiscal Reform Amendment to the Address.¹

In the first place, the necessity for coming to an understanding with the Colonies was indicated by the agreements between France and Canada and Germany and Canada.

With regard to Protection, stress was laid on the fact that the duties were to be moderate and that thus, and thus only, by keeping them small was there any possibility of the foreigner paying part of them.²

¹ February 23 and 24, 1910, Parliamentary Debates, vol. xiv., Nos. 4 and 5.

² February 24, 1910, Parliamentary Debates, vol. xiv., No. 5, Bonar Law, p. 463.

Further such moderate duties would allow reasonable and fair competition. The desire to establish monopolies was disclaimed.¹ Mr. Balfour further disavowed the statement attributed to him that duties were always paid by foreigners.²

As for the objection that if a tariff is protective it will bring in no revenue, this was met by the argument that the revenue will be received from increased income tax and death duties, both of which are derived from the profits on manufactures in this country. "If a moderate duty operates protectively in order to get manufactures carried on in the country which were not carried on here before, we shall not only get employment but indirectly, though not directly, we shall also get the revenue just as surely and just as readily as if it had been collected by customs duties on goods coming into the ports."³ Stress was laid in most of the speeches on the supposed beneficial effects of Fiscal Reform on employment. Mr. Austen Chamberlain declared that the cause of unemployment was that the demand for productive labour and for production in the country had not kept pace with the increase in the world's demand or with the growth in our population.⁴ He pointed out that our fiscal system does not maintain in productive labour the same proportion of the population, either in agriculture or the great industries, as it did twenty years ago. The manufacturers suffered from having too small a market and from the market being too insecure.⁵ Attention was drawn to the emigration of our people

¹ February 23, 1910, Parliamentary Debates, No. 4, Austen Chamberlain, p. 222.

² February 24, 1910, Parliamentary Debates, No. 5, p. 398.

³ February 23, 1910, Parliamentary Debates, No. 4, Steel Maitland, p. 273.

⁴ February 23, 1910, Parliamentary Debates, No. 4, pp. 220-1.

⁵ February 23, 1910, Parliamentary Debates, p. 227.

(150,000) when other nations are holding theirs, the people who alone can ultimately maintain our fleets.¹

Mr. Samuel Storey, quoting Adam Smith, pointed out the advantages of capital and labour employed at home over that employed abroad, and insisted upon the increase in unemployment among Trade Unionists in the last ten years.² (He also declared that we have not got cheap food, and never shall have it again until we produce it ourselves.)

Mr. Balfour, maintaining that the great fundamental problem is employment and productive capacity, declared his firm belief that Tariff Reform would increase the productive power of the country.³ The whole problem of unemployment could not, in his opinion, be cured by Tariff Reform, but certain aspects of unemployment could undoubtedly be mitigated by introducing a new fiscal system.

Thus Tariff Reformers are committed to the statement that Tariff Reform will afford great relief from unemployment.

It has been seen that they are bound also by their own statements to keep duties low, should a tariff be introduced.

Further, with regard to the price of bread, although, as Mr. Balfour said, it was beyond his power to promise that there should be no rise in the price of bread, yet within the field in which any governmental action could affect the price he was pledged to prevent such a rise if it were possible. In fact, he is pledged to take off the proposed duty on corn if the price of bread rises.

¹ Parliamentary Debates, February 23, 1910, No. 4, Mackinder, p. 322.

² *Ibid.* February 24, 1910, No. 5, p. 375.

³ *Ibid.* p. 405.

THE PROTECTIVE ARGUMENT.

We have now to ask what is the economic basis of the new protective argument which has made such progress in the country under Mr. Chamberlain's auspices ?

It will be found that the new protectionists look to exports rather than imports as the criterion of the prosperity of the country, exports being, in their view, an indication of the production of the country. The great period of the expansion of exports was between the adoption of the policy of free imports and the seventies. It is denied that Free Trade ever existed, and therefore that exports ever were free. They were hampered by foreign tariffs.

The great increase in exports was largely due on this theory to (1) the discoveries of gold in Australia and California, (2) the development of railways and steam communication, and (3) the almost universal and continuous wars.¹ The whole world plunged deeply into debt to this country. Our loans went abroad as goods. The fever of speculation and enterprise reached its zenith in the years 1872-3 with the close of the conditions which produced it.

The whole basis of Cobdenism was destroyed by the Treaty of Frankfurt at the end of the Franco-German War. A new economic era began with the rise of new industrial nations, which England had been helping to equip by exporting capital and railways.

The doctrine of Free Trade rested on the theory of the international division of labour, which assumes that all imports are equally useful and all methods of paying for them equally profitable ; but neglects

¹ *National Review*, September, 1903.

foreign competition and the increasing identity of employment among nations which characterizes modern industry. The policy of free imports allows foreign trusts to attack British industries which it is difficult for England to defend. The United Kingdom finds it still harder to establish new employments, *e.g.* the electrical or motor-car trade, in face of the protected competitor. (As to this, be it noted in passing that the person whose action blocked the development of the electrical industries was Mr. Chamberlain by his legislation when President of the Board of Trade, and that as to the motor industry we have not done badly.)

Further, all foreign countries it is urged, and our own Colonies and India, reject our system. (This is an over-statement.)

If we turn to the Blue Book of November, 1909, we find that the increase in our exports to foreign countries in the years from 1870-1900, was exceedingly small.¹ In the quinquennial periods before 1870, the increase was as follows:—

EXPORTS TO FOREIGN COUNTRIES.

					Annual average.	Increase.	
					£	£	
1855-9	..	..	..	..	79,000,000	..	—
1860-4	..	..	..	..	92,000,000	..	13,000,000
1865-9	..	..	..	..	131,000,000	..	39,000,000

The years 1870-4 were exceptional. The annual average was £175 millions, an increase of £44 millions. In the period 1875-9, the annual average was £135 millions, only £4 millions increase on the average of ten years earlier.

From 1880 to 1900, the annual average over

¹ Cd. 4954, pp. 26-7.

quinquennial periods was stationary and wavered thus :—¹

EXPORTS TO FOREIGN COUNTRIES.

							Annual average. £
1880-4	..	..	..	..	..	..	153,000,000
1885-9	..	..	..	..	..	..	147,000,000
1890-4	..	..	..	..	..	..	156,000,000
1895-9	..	..	..	..	..	..	157,000,000

No account is here taken of the difference in prices. Only values are given.

(For the difference in prices, see Sauerbeck's index. Appendix I.)

Only in the period 1900-4 did the exports to foreign countries show a recovery, to go forward with a bound in the period 1905-8.

							Annual average. £
1900-4	..	..	..	..	..	..	177,000,000
						due to the years 1900 and 1904.	
1905-8	..	..	..	..	..	..	245,000,000 ²

N.B.—From these figures the exports of new ships and boats, with their machines, first recorded in 1899, are excluded, in order to preserve uniformity with the preceding periods. (Ships were exported in 1900-4 to the annual value of £6 millions, and in 1905-8, £9 millions.)

Thus the Tariff Reformer had reason to exclaim even in 1903 that trade with foreign countries was more or less stagnating (that is to say, if he did not consider the changes in prices).

It was, however, not the case that trade with the Colonies had gone forward more rapidly.³ In the

¹ Cd. 4954, p. 27.

² The exports to foreign countries in 1909 were £252·4 millions, including ships and machinery (Statistical Abstract, 1910, Cd. 5296, p. 155). This is about the average of 1905-8; for which, including ships and their machinery, the figures were: 1905, £216 millions; 1906, £254 millions; 1907, £289 millions; 1908, £251 millions, an annual average of £252·5 millions.

³ During 1860-4 the proportion of the annual average of exports to the Colonies to the total exports was 33·4 per cent., the same as in 1905-8.

period 1880-4, exports to the Colonies were £81 millions; in 1885-9, £79 millions; in 1890-4, £78 millions; and in 1895-9, £81 millions. There had been a great advance over the period 1870-80, and in the period 1900-4 the increase of trade with the Colonies was extraordinary; so that in the period 1900-4, exports to British Possessions were 37·3 per cent. of our total exports; whereas in the period 1905-8 they once again formed about 33 per cent., a proportion to the total exports which exports to British Possessions have, roughly speaking, maintained since the later seventies.

When the inquirer turned to compare the increase in our exports with those of the principal protected countries, he found a sad tale of stagnation. A comparison of the years 1872-1902 showed that the total exports of the United Kingdom had increased by 10 per cent. over the period, while the increase in France was 18 per cent., in Italy 28 per cent., in Belgium 76 per cent., in Germany 108 per cent., and in the United States 217 per cent.¹

But it is evident that a comparison between single years is in any case unreliable, and in particular to take the years 1872 and 1902 is of little value. 1872 was a record year for English exports, 1902 was not a good year; the exports were lower than in 1900 (a fall due to non-economic causes, such as war). Even so, however, without admitting the extreme differences which these figures represent, there is no question but that the exports of foreign countries, and notably Germany and the United States, have increased at a greater rate than those of the United Kingdom.

¹ Cd. 4954, p. 26.

The actual figures ¹ are :—

Annual average.	Net imports.			Total exports of home produce.		
	United Kingdom.	Germany.	United States.	United Kingdom.	Germany.	United States.
	Million £	Million £	Million £	Million £	Million £	Million £
1870-4	290·6	—	113·2	234·8	—	96·2
1875-9	319·5	—	96·2	201·5	—	124·7
1880-4	343·6	151·8	140·1	234·3	152·8	165·4
1890-4	357·1	198·9	162·7	234·4	152·5	184·7
1900-4	466·1	287·0	186·0	282·7	235·6	292·3
1905-8	519·3	387·9	253·5	368·5	311·5	359·3

From these figures it appears that even if we take the period 1880-4 as our starting point, and compare with them the figures of 1905-8, whether we take imports or exports, Germany and the United States have gone forward at a greater rate than the United Kingdom. In imports, the United Kingdom, though still leading by a great amount, only shows in the period 1905-8 an increase of little more than 50 per cent. over 1880-4, while the United States show an increase of 80 per cent., and Germany shows an increase of more than 150 per cent.

With regard to exports, Germany is rapidly approaching, and the United States has already in each of the years 1900-4 and in 1908 surpassed the level of the United Kingdom. Germany has doubled and the United States has more than doubled her exports since the period 1880-4, while the exports of the United Kingdom have increased about 57 per cent.

On the other hand, if we make the same comparison in the case of France,² we find, that between the periods 1880-4 and 1905-8 the imports increased from an annual average of £190·9 millions

to £222·7 millions, or about 16·8 per cent. ; while the exports increased from £138·3 millions to £207·8 millions, or 50 per cent.—both less than the increase of the United Kingdom imports and exports during the same period.

The increase in the exports of the United States and Germany may, as the Tariff Reformer insists, have been influenced by the protectionist policy of these countries.¹ But in a far higher degree it has been brought about by the unification of the German Empire and, in a different way, of the United States after the Civil War ; and by the establishment of a vast Free Trade area in both cases, which in Germany, at any rate, replaced a congeries of protective States with duties against each other. These vast territories were, 40 years ago, in their infancy. They had been just forged together and were only at the beginning of the development of their great natural resources, while the United Kingdom, for long a homogeneous whole, had been for many years employing her economic powers to the full with a smaller population with which to work. Further, for decades previous to 1870, England, with short exceptions, had enjoyed virtual peace, while wars and revolutions had raged on the Continent. Since 1870, peace has, generally speaking, ruled in Europe and in North America, and industry has been thus free to increase.

A further point of interest in the English trade is the excess of imports over exports. This amounted annually to £142 millions in the period 1905–8.²

For the period 1905–8, the annual averages were : Imports, £603 millions ; re-exports, £84 millions ; and therefore net imports, £519 millions ; and exports, £368 millions, excluding the export of new ships and

¹ See *infra*.

² Cd. 4954, pp. 19 and 27, note.

boats with their machinery, which amounted in 1905-8 to an average of £9 millions, making the total exports £377 millions.

This calculation omits the profits of the carrying trade, which were already £90 millions annually during the period 1893-1903; it also omits interest and dividends from capital invested in foreign countries, which, according to Sir R. Giffen, were £100 millions in 1903, but according to Louis Mallet reached that sum already in 1883-4.

Paish¹ estimates the income of British investors from Indian, Colonial, and foreign government bonds and stocks, municipal stocks, and railway securities, in the year 1906-7 at £82,777,000, while the sum returned by the Commissioners of Inland Revenue is slightly less, £79,560,000. Paish estimates the income from miscellaneous companies—banking companies, commercial and industrial companies, breweries, canals, collieries, gas and mining companies, at £58,000,000. Thus the total income from investments abroad exceeds according to this estimation, £140 millions. Both the payment for the services of shipping and the interest come to us in the shape of imports.

As illustrating the difficulty of comparing the values of exports and imports, it is important to remember² that “exports are entered at their value ‘free on board’ (f.o.b.), whereas their selling value in the receiving country will include not only cost of freight and insurance, but the intermediate traders’ profits on their handling. Those profits and costs will be represented in the returning imports,

¹ Paish on “Interest from Foreign Investments,” *Journal of Royal Statistical Society*, September, 1909.

² Cf. Robertson, “Trade and Tariffs,” pp. 207-8.

which are entered with their freights and insurance cost added."

A good example of the difference made by these additions is furnished by the quotations of the United Kingdom exports to New Zealand,¹ to which reference has already been made. The value of the goods *exported* in 1907 is recorded in the United Kingdom (f.o.b.) as £9,441,908; the value of the goods *imported* into New Zealand from the United Kingdom, returns being c.i.f. (cost, insurance, freight), is recorded as £10,441,837—*about 11 per cent. more*—these being the official figures of the values of the same goods given respectively by the country exporting and by the country importing them.

The Board of Trade, in the first "Fiscal Blue Book," calculates that the cost of insurance and freight is, on an average, somewhere about 10 per cent. of the value of imports.² In this connection it is of importance to note, that the values recorded by the United States Blue Books, as regards imports, do not include the cost of insurance and freight, and are therefore not really comparable with the value of United Kingdom imports recorded.³

As to our shipping, it must be remembered that since 1870 the tonnage on the register of the United Kingdom has almost doubled. From 1870-4 it averaged 5·7 millions, and from 1905-8, 11·2 millions, while the tonnage of the United States has been rapidly decreasing. This predominant position of the United Kingdom as the international carrier, has been recently acquired.⁴ In nearly all

¹ New Zealand Year Book, 1909, pp. 311-2.

² Cf. *Statistical Journal*, January, 1910, p. 12.

³ *Ibid.*

⁴ Schulze-Gaevernitz, "Britischer Imperialismus und Englischer Freihandel," p. 287.

non-British harbours, the British flag is more seen than any other foreign flag ; often more than the native flag ; sometimes more than all the flags native and foreign together.

A question next arises as to the nature of the imports and exports. According to the Free Trade doctrine, imports and exports in the long run balance each other. This is, however, a statement which does not carry us far. Protection, in the view of the Free Trader, diverts industry from more to less advantageous employments. "No regulation of commerce," in the words of Adam Smith, "can increase the quantity of industry in any Society beyond what its capital can maintain. It can only divert a part of it into a direction into which it might not otherwise have gone."¹ Left to himself every individual tries to employ his capital in such a way that "its produce may be of the greatest value." This means that he necessarily "labours to render the annual revenue of the society as great as he can." The very fact that protection is necessary for an industry means that the article cannot be produced as cheaply at home as abroad ; it means that the consumer pays more than he would if he were allowed to buy the foreign article ; that therefore there is waste of the national labour, which were better employed in some other way in which we have an advantage. Thus the Free Trader.

According to this argument, it is a matter of little moment what is imported. The only guide is that it shall be "cheaper" to import a certain article than to produce it. The maximum wealth is produced in the world, if each country produces

¹ Professor Ashley, "Tariff Problem" (quoting Adam Smith), p. 23.

those articles for which it has a natural aptitude, and if these articles are then freely exchanged.

This is generally admitted. But it may be urged that no question of free exchange now enters into the matter, since the chief competitors of the United Kingdom do not admit our goods free, but in fact endeavour to exclude them. Moreover, international division of labour in production, as I have before noted, is more and more giving way to competition and identity of employment among the nations. And even if the maximum wealth is produced in the world, it is not necessarily to the advantage of each nation. The manner in which this wealth is divided between the different nations, is decided by the relative strength of the competitors. To help in the production of the maximum wealth for the world, is of little use to a weak country.

Further “natural aptitudes,” in the present highly developed condition of industry, may sink into insignificance beside “acquired” aptitudes—acquired through the designed action of the State. Thus one country may be able to produce an article more cheaply than another (*e.g.* Germany than the United Kingdom). In that case the Free Trader would advise the United Kingdom manufacturer to cease to produce that article, as it is obvious that Germany has a natural aptitude for its production. It will therefore be cheaper for this country if this article is imported, while the manufacturer turns his attention to the production of some other article. But it is possible that the cheapness of the German article may be due, not to natural aptitude or to favourable conditions, but to highly artificial organizations fostered by the State. If that is the case, the producer in the United Kingdom may be driven

to relinquish one industry after another, in face of the highly organized foreign competition, unless he hastens to adopt the same organization. It may be said that the trusts and cartels have realized that in modern industry, organization and co-operation spell success. According to the Tariff Reformer, it is because of its neglect of these essentials that the United Kingdom is beginning to lose its position in the industrial world.

In the view of the Tariff Reformer, it is of the utmost importance that we should within the country attain to the maximum of productivity. For this purpose, the manufactures of the United Kingdom should be such as employ the greatest amount and the most highly skilled kind of labour. If this be admitted, the test of the prosperity of a country is a high level of consumption of manufactured articles per head of the population in the home market together with an extending rate of manufactured articles abroad. From this point of view, it is desirable that imports from abroad should partake as little as possible of the nature of manufactured articles, more especially of such articles which the country can itself produce with reasonable facility. It is true that forms of employments are given in distributing imports; but neither in their nature nor in their quantity do they appear as advantageous as the occupation provided by the great industries.

The statistics available for a consideration of the condition of our manufactures are not very satisfactory.¹ In the first place, with regard to exports and imports, we find that our exports of articles classified as wholly or mainly manufactured have

¹ Cd. 4954, pp. 49, 69.

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increased from £123·7 millions in 1860, £181·1 millions in 1870, £196·9 millions in 1880, to an average of £303·4 millions (including ships and their machinery) in 1905–08. These articles then again are divided into classes A, B, and C¹ (articles completely manufactured and ready for consumption; articles manufactured but requiring to pass through some process of adaptation or combination before entering into consumption; and articles partly manufactured). Those in Class A therefore represent those articles on which the greatest amount of labour has been expended. What proportion do they bear to the total export of manufactures?

In 1860	they represented	² £32·4 millions, out of £123·7 millions, rather more than $\frac{1}{4}$, or 26 per cent.
In 1870	„ „	£45·1 millions, out of £181·1 millions, about $\frac{1}{4}$.
In 1880	„ „	£57·4 millions, out of £196·9 millions, between $\frac{1}{3}$ and $\frac{1}{4}$.
In 1890	„ „	£76·2 millions, out of £225·4 millions, about 33 per cent.
In 1900	„ „	£79·6 millions, out of £219 millions, roughly 36 per cent.
In 1907	„ „	£116 millions, out of £332 millions, roughly 35 per cent.
In 1908	„ „	£103 millions, out of £286 millions, roughly 36 per cent.

The proportion of completely manufactured articles to the total value of manufactured articles exported, seems thus to have increased steadily since 1870.

The Board of Trade, however, states that the list of articles included in the various classes is not identical throughout the period covered.³

Turning to *imports*⁴ of manufactured articles, we find an increase from £20·4 millions in 1860 to

¹ Cd. 4954, p. 49.

² Computed from Cd. 4954, p. 49.

³ See Cd. 4954, p. 49.

⁴ Cd. 4954, pp. 49, 67.

£45·4 millions in 1870, £62·8 millions in 1880, to an average of £124·8 millions in the period 1905–8. The proportion of manufactured articles which were completely manufactured to the total import of manufactures, was 35 per cent. in 1860, 33 per cent. in 1870, 41 per cent. in 1880, 41 per cent. in 1890, 42 per cent. in 1900, 38 per cent. in 1907, and 37 per cent. in 1908.¹ It will thus be seen that both the export and import of manufactured articles, and of the proportion of them designated completely manufactured, has vastly increased during the last thirty years.

The proportion of wholly and partly manufactured articles to the total exports and imports of the United Kingdom is roughly as follows:—²

	Proportion of manufactured imports to total imports (in value).	Proportion of manufactured exports to total exports.
	Per cent.	Per cent.
1870–4	18·2	89·7
1880–4	18·6	88·0
1890–4	21·0	85·0
1900–4	24·2	79·5
1905–8	23·9	79·9

The period 1870–4, as has been frequently remarked, was quite abnormal. Nevertheless, it will be seen that the proportion of manufactured imports to the total imports has increased; while the proportion of manufactured exports to the total exports has decreased, even if we consider only the period since 1880.

Comparing the United Kingdom with Germany, France, and the United States, it appears that both the exports and imports of manufactures of the

¹ Computed from Cd. 4954, p. 49.

² *Ibid.* pp. 58, 59.

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United Kingdom are greater than those of any of these three countries.

The United Kingdom still exports by far the largest value of industrial articles, but undoubtedly the other countries are fast approaching. During the period 1905-8, the proportion of manufactured exports of these countries to those of the United Kingdom was : Germany, 72 per cent. ; United States, 47 per cent. In 1895 it was : Germany, 57 per cent. ; United States, 30 per cent.¹ (In such calculations the relative increase of population should not be altogether forgotten.)

Yves Guyot, in "Le Commerce extérieur de la France en 1905," gives the following comparison :—²

	Proportion of manufactured exports to total.	Proportion of manufactured imports to total.
United Kingdom 1900-4 ..	80 per cent. (really 79·5)	25·6 per cent. (24·2 ?)
Germany, 1899-1903 ..	65 per cent.	1900-3, 20 per cent.
France, 1899-1903 ..	55·6 "	1900-3, 17·3 "
Italy, 1899-1903 ..	21·5 "	1900-3, 20·0 "
Austria-Hungary, 1899-1903	41·7 "	27·7 "
United States, 1899-1903	29·4 "	—
Switzerland	—	1900-3, 31·0 "

It appears, therefore, that protective tariffs have lowered the proportion of manufactured imports in France, Germany and Italy, where the proportions are lower than in the United Kingdom. In protective Austria-Hungary and Switzerland the proportion is, however, higher.

It may be observed that, while the proportion of manufactured to total exports in the United Kingdom remained substantially the same in 1905-8 as in 1900-4, in Germany the proportion increased to

¹ Computed from Cd. 4954, p. 69.

² pp. 17 and 21.

68 per cent., and in the United States of America to 40 per cent.¹ Yves Guyot² further points out that in 1906 7·8 per cent. of our total exports and 9 per cent. of our manufactured exports was coal from Cardiff for ships of all nations.

As regards this export of coal, against which such loud complaint has been raised, it is well to remember that experts have estimated that our coal supply will last for several hundred years. Further, the coal exported acts as ballast to ships which would otherwise be forced to complete the outward journey unladen, thus increasing the cost of freight on the homeward journey.

In dealing with separate articles, it is difficult to trace the stage of manufacture at which they are either exported or imported. In the Statistical Abstract in which they appear they are classified under the heading "articles wholly or mainly manufactured," and not, as in the Blue Book (Cd. 4954) on British and Foreign Trade and Industry, published by the Board of Trade, in sub-divisions indicating the stage of manufacture, at any rate to some extent. In some cases the nature of the article exported or imported is not easy to establish. For instance, evidence given before the Tariff Commission³ went to show that with regard to machinery, £11 millions out of £31 $\frac{3}{4}$ millions, or 35 per cent. of the exported machinery, and £3 millions out of £5 $\frac{1}{4}$ millions, or 57 per cent. of the machinery imported, remained unclassified in 1907.

It is alleged that foreign protected countries by their tariffs exclude the goods of the United Kingdom, more especially the manufactures, and that thereby

¹ Computed from Cd. 4954, pp. 63, 65.

² "Le Commerce extérieur de la France en 1905," pp. 18-19.

³ Tariff Commission, Engineering.

trade is crippled. It is indeed the case that during the last fifteen years or so, a decreasing percentage of United Kingdom manufactures is exported to the principal protected foreign markets.¹ Both Germany and the United States are exporting an increased percentage of their manufactured goods to these protected markets, though the increase in the case of the latter is very slight.

STAPLE INDUSTRIES.

We turn next to examine our great staple industries, iron and steel, cotton and wool.² As to *iron and steel manufactures*, the increase of our exports has been great from 1898 to 1908, but chiefly in markets other than the great protected foreign markets.

In the years 1898 to 1905, our exports of iron and steel to the principal protected foreign markets were practically stationary.³ In the years 1901-5 and in 1908 the exports of German iron and steel to the principal protected foreign markets were greater than ours.⁴

The same applies to machinery.⁵ As in the case of iron and steel manufactures, our exports from 1901 to 1905 to the principal protected foreign countries were less than in the years before. Since then there has been some recovery, but in each of the years 1906-8 the export of German machinery to the principal protected foreign markets was greater than the export of United Kingdom machinery to

¹ Cd. 4954, p. 78.

² *Ibid.* pp. 85-89.

³ *Ibid.* p. 85.

⁴ It may be well to note again that the countries designated "principal protected foreign countries," in the Board of Trade Blue Books are, Russia, Germany, Holland, Belgium, France, Spain, Portugal, Italy, Austria-Hungary, Switzerland, and the United States. Holland and Belgium, though they are scarcely protective are unavoidably included because of the transit trade with Germany, Switzerland, etc. (Cf. Cd. 4954, p. 70.)

⁵ Cd. 4954, p. 86.

these markets, even including ships' machinery. In the markets other than those of the principal protected foreign countries, the United States are rapidly overtaking us.

There can therefore be no question of our beating the United States "completely out of the field," in regard to machinery, as was stated by Mr. Lloyd-George at the Colonial Conference of 1907.¹ Mr. Lloyd-George subsequently admitted that the phrase used by him was "exaggerated in its form," but the statement is in fact the reverse of the condition of affairs revealed by the statistics since supplied by the Department of which Mr. Lloyd-George was at the time the official head.

These figures show the special danger of diverting the attention of our manufacturers from these markets by such attractive ideas as Protection or Imperial Preference, when they ought to concentrate their whole energy on competition in their business.

A policy of Imperial Preference, which might lead our manufacturers to devote their attention almost exclusively to Imperial markets, would leave Germany practically without a rival in the protected markets of Europe, and give the United States free play in the neutral markets outside the Empire. Nor can it be imagined that concentration on Imperial commerce would provide us with markets which would compensate for those lost outside the Empire. For *pari passu* with the demands of our Colonies, Colonial manufactures are developed, and the feeling for the exclusion of the competing imported manufactures grows stronger.

Looked at from another point of view, the condition of the iron industry seems serious. The

¹ Colonial Conference (1907) Minutes, p. 366.

import of iron and steel has now vastly increased, and the United Kingdom imports more than any other country in the world.¹

Further, whereas the United Kingdom used to import such iron as did not compete with her own manufactures, we now import wire girders and ships' requisites, of which we formerly had a monopoly.

Moreover, the production and consumption of pig iron per head of the population has remained stationary in the United Kingdom during the last thirty years. Meanwhile the production and consumption per head in the United States and Germany has gone forward with great rapidity and in the last ten years the United Kingdom has been surpassed by the United States.² In the production of steel per head of the population, the United Kingdom, during the last ten years stands third, being surpassed by both the United States and Germany.³

The United States were destined to excel in the production of iron. They have vast deposits of ore, especially round Lake Superior, and cheap water communications to transport the ore to where coal and labour are. They have an internal market extending over a surface equal to that of Europe, and increasing railroads continually demanding more iron.⁴ Moreover, owing to the attractions of the agricultural West and the consequent scarcity of men, labour-saving machinery became essential in the East. In fact, the United States may be called the land of machines.

The United States produce in their better works

¹ Schulze-Gaevernitz, "Britischer Imperialismus und Englischer Freihandel," p. 278.

² Cd. 4954, pp. 169, 173.

³ *Ibid.* p. 171.

⁴ Schulze-Gaevernitz, "Britischer Imperialismus und Englischer Freihandel," p. 279.

twice as much iron and steel with the same amount of capital, according to Jeans, as the United Kingdom. The United Kingdom employs far more labour, and for a given piece of work expends far more on wages in the aggregate, even though the rate of wages is lower than in the United States.¹

In some cases, undoubtedly, tariffs have helped natural advantages. The tinplate industry, for instance, grew up in a few years through the working of the McKinley Tariff. Germany, on the other hand, profited to an extraordinary degree by the Thomas-Gilchrist discoveries which revolutionized the iron industry, making the phosphorus iron ore, which had hitherto been worthless, of great value. Germany possesses in Alsace-Lorraine immeasurable treasures of iron ore containing phosphorus. Perhaps she is even richer in this respect than the United States. Schulze-Gaevernitz, moreover, accuses the Americans of neglecting the development of new methods and in particular in working up by-products—a branch of industry in which Germany excels.²

German duties have been in force since the eighties, and have undoubtedly helped the development of industry. Giant organizations have grown up, combining the various processes, and Schulze-Gaevernitz is of opinion that against these, even if armed with a protective tariff, the United Kingdom would fight in vain. He declares that the United Kingdom has her special industries, and instances the tinplate industry. He moreover maintains that the centre of gravity has shifted to those branches of the industry which demand a further manufacture

¹ Schulze-Gaevernitz, . "Britischer Imperialismus und Englischer Freihandel," p. 280.

² *Ibid.* p. 281.

and more highly skilled labour. He points out that since the end of the seventies, the export of machines had (when he wrote) actually doubled. Now, it appears that, taking the later years 1898–1908, the export of machines, excluding ships' machinery, to countries other than the principal protected countries, has increased from £9·1 millions to £18·9 millions.¹

This being so, in so far as the future of the iron industry lies more and more in the manufacture of machinery, it would seem as if the United Kingdom must look largely to markets beyond the European protected markets and the United States; and that in these she will find that the United States is her great competitor. (Though, while the United States remain protectionist, the United Kingdom will, in many cases, have an advantage in cheaper freight owing to the ships coming home with cargoes instead of in ballast.)

With regard to the restrictions of the home market by the process of "dumping," much depends on the nature and on the stage of manufacture of the articles "dumped." According to the Statistical Abstract,² in 1908, the United Kingdom imported iron ore, scrap iron and steel to the value of nearly £5 millions; iron and steel and manufactures thereof to the value of £7·6 millions; cutlery to the value of £3·7 millions;³ electrical goods to the value of £1·2 millions; and machinery to the value of £4·5 millions.⁴

It seems incontrovertible that the import of iron ore can only be to the advantage of the United

¹ Cd. 4954, p. 86.

² Statistical Abstract for United Kingdom, 1894–1908, p. 121.

³ *Ibid.* p. 127.

⁴ *Ibid.* p. 129.

Kingdom manufacturer. According to Sir Hugh Bell,¹ the United Kingdom has been fortunate in securing a quantity of raw material cheap. With regard to the other imports, they are, according to Sir Hugh Bell, either (1) articles we do not and cannot produce here; (2) articles which for some reason the foreign country is ready to sell cheap and which the buyer sees his way to convert to advantage; (3) some speciality which has been cultivated abroad.

It must, however, be remembered that not only are imports of machinery to a large extent unclassified, but also that some of the imports of iron and steel manufactures remain unenumerated, though these are now more detailed than formerly. According to Sir Hugh Bell, if we could get details we should "probably find that we are *selling* the specially good article." Further "the United States invent all sorts of cunning devices to save labour. England waits till the devices are perfected, and then brings them from the United States." It pays the English manufacturer. "Why should he be compelled to turn his energies, already sufficiently occupied, into another channel?"

On this it is to be observed that the policy outlined is that which British manufacturers have in fact pursued in other branches of industry, such as bicycles, motor-cars, aeroplanes, and, at sea, submarines. They have waited till the new industry was established and then, taking it up, have made good profits. But the question does nevertheless arise whether the British manufacturers' energies can ever be said to be quite sufficiently occupied and whether such an attitude is not likely to create a

¹ *Independent Review*, October, 1903.

“static” condition by relying on others for the most up-to-date inventions.

There is also a danger in allowing a foreign country to seize primary industries, relying on the argument that old countries must look to the more complicated and secondary processes and manufactures.¹ We might become dependent on the exporting country not only as to the price of bars but practically for the bars themselves. The process will not stop there. It will go on to sheets, angles, etc., and indeed it has already shown a tendency to do so. Sir Hugh Bell would reply that the amount imported is insignificant in comparison with the total make. But if it came to the point of losing a primary industry necessary to a highly finished industry, might we not have to consider the desirability of checking the “dumping” which aimed at its destruction? Beyond this there is the complaint made both by Sir Hugh Bell and by witnesses before the Tariff Commission,² that certain branches of industry, *e.g.* the electrical trades and motor trades, were in early days injured by the legislature. This was no doubt the case with regard to electrical development, as to which Mr. Chamberlain’s legislation at the Board of Trade in 1884 was most detrimental.

Moreover, complaint was also made before the Tariff Commission,³ of the uselessness of the most-favoured-nation clause in face of the minute classification of modern scientific tariffs. Witnesses also complained that the Merchandise Marks Act worked in a very unsatisfactory manner. Of this Act it has been said that it has been the best advertisement of

¹ Ashley, “Tariff Problem,” pp. 118-9.

² Tariff Commission, Engineering, Section 3.

³ *Ibid.* Section 32.

German manufactures. With regard to the establishment of a Tariff, opinion was divided. On the one hand objections to duties on machines were brought before the Commission.¹ But on the other hand, a suggestion was made before the Iron and Steel Committee of the same body of a threefold Tariff, General, Preferential, and Minimum—in the hope that such a tariff would stop “dumping,” which was considered the cause of irregular work and insecurity in the trade.

Dumping, however, requires far more looking into, before any steps are taken to deal with it, for it is dumping which has called forth the demand for Protection when it exists. Dumping appears only to be made possible by a combination of a high tariff and a giant organization or trust; and strange to say, in spite of Free Trade tradition, organizations are beginning to grow up which are dealt with lower down, and which, though not monopolies, are yet, to a great extent, excluding competition in their particular district.

In the iron industry, there are the Scotch Steel Makers' Association, the National Galvanized Steel Makers' Association and the South Wales Siemens' Steel Bar Association.²

Some writers have seen in these combinations indications of the growth of a trust movement in the United Kingdom, but as yet it seems but little developed, at any rate in the iron industry.

A method of dealing with the dumping of iron in British markets might be found, as has been before suggested, on the lines of the Brussels Sugar Convention, rather than by a policy of Protection. In

¹ Tariff Commission, Engineering, Section 50.

² Dr. Hermann Levy, “Monopole, Kartelle und Trusts,” p. 216.

that Convention the United Kingdom successfully fought against the dumping policy of foreign trusts and cartels worked by means of direct and indirect subsidies, and her victory might well serve as an incentive to a similar campaign in the iron industry.

Cotton.—Cotton is the greatest of our staple industries, comprising as it does one-fourth of the total value of our exports—namely, in 1909, £93 millions out of £372 millions.¹ The peculiarities of the cotton industry are that the whole of its raw material is imported, while more than 80 per cent. of its manufactures are exported in one form or another. The cotton industry is therefore extraordinarily sensitive to changes in our relations with foreign countries. As regards the home market, the annual consumption of cotton per head of the population is infinitely larger than that of any of the other Great Powers,² being 42·6 lbs. on an average in the years 1905–8 as against 26·8 lbs. per head in the United States, and 14·8 lbs. in Germany. But certain evidence seems to indicate that the home market for cotton is stagnant. The annual consumption of cotton per head, which was 42·6 lbs. in 1905–8, was 41·9 lbs. on an average already in the years 1880–4. This can scarcely be termed an increase. During the same period the consumption per head in Germany has doubled. If, however, the number of spindles employed annually be considered, we find that there has been an increase from 41,170,000 on an average in the years 1880–4 to 52,140,000 in the years 1905–8; and the greatest increase has taken place between

¹ Cf. Statistical Abstract for United Kingdom, 1895–1909, pp. 179–81.

² Cd. 4954, p. 159.

the quinquennial periods 1900-4 and 1905-8.¹ Moreover, as has been said, the export trade is of greater importance than the home market.

Turning then to the export trade, we find that the export of cotton yarns, after many upward and downward fluctuations, in 1909 reached the quantity reached in 1880—namely, 215 million lbs.² The decline has taken place chiefly in the export of yarn to Asiatic markets, to the British East Indies, and to a far greater extent in the export to China and the other markets of the Far East. This is, of course, due to the development in the manufacture of cotton yarn in India and in Japan. The export of yarns to European markets (excluding Turkey) reveals, with many fluctuations, a tendency to a slight increase. The opposite is the case in regard to cotton piece goods.³ In the export of these, the increase has taken place in the trade to Asiatic markets, and also to Turkey, Egypt, and Africa to a lesser extent; while the exports to Europe (excluding Turkey) and to American markets in general are either stationary or are declining. The total quantity of cotton piece goods exported increased by more than one-fourth between 1880-1909. The years 1905-7 were years of extraordinary prosperity in this branch of the industry.

When we consider the *value* as opposed to the *quantity* of cotton goods exported, we find that the increase over the period of years considered has been relatively greater than the increase in the quantity of the goods. This may be due to two causes: (a) the price of raw cotton may have risen—for the price of the exported articles fluctuates with the

¹ Cd. 4954, p. 157.

² *Ibid.* p. 156, and Cd. 5296, p. 163.

³ *Ibid.* p. 155, and Cd. 5296, p. 163.

price of the raw material ; (b) the exports may be of finer and hence more valuable fabrics than formerly. Evidence in several directions indicates that this is indeed the case. In the first place, the fine spinning is done mainly from Sea Island and Egyptian cotton. Sir W. H. Houldsworth,¹ writing as the representative of the Fine Cotton Spinners' and Doublers' Association, gave evidence to the Tariff Commission to the effect that only Egyptian and Sea Island (long staple American) cotton was used by the Association. If then the proportion of these cottons to the whole quantity consumed in the United Kingdom has increased, it may be assumed that finer counts have been spun. That it has increased was shown by the Tariff Commission, which calculated that in 1904 18 per cent. of the cotton consumed in the United Kingdom was Egyptian, as against 15 per cent. in the previous year and 11 per cent. in 1880.

The general trend of opinion is that Lancashire is being compelled more and more to devote herself to fine spinning by the increased competition in coarser spinning offered by foreign nations, both in their own and in neutral markets. The European countries exclude by tariffs the coarser counts which they are themselves manufacturing (*e.g.* Germany), and admit only the finer, which they as yet do not make.²

"The maintenance of the trade with the Continent and with the United States, which is in highly expensive goods, depends ultimately on the skill and rapidity with which the British manufacturer can invent new designs and stimulate the taste and demand of other countries for such designs." The

¹ Tariff Commission, Cotton, Sections 408, *et seq.*

² *Ibid.* Section 68.

United Kingdom trade with these countries is in a certain number of specialities.

That the cotton industry should develop in this direction is, after all, to be expected. The countries of Europe naturally desire to extend their own industry, and find competition against the pre-eminent industry of the United Kingdom difficult. England has the advantage of a climate which, as regards Lancashire, is specially favourable for the various processes of cotton manufacture, of a long-established and unique industrial organization, perhaps of hereditary aptitude. Her position as regards the cotton industry depends on the maintenance of a very high standard of excellence in workmanship, and on the fine quality of her fabrics. While she maintains these, it does not seem that she need fear for her pre-eminence. Thus it seems obvious to Lancashire that she has nothing to gain from Protection, but rather, much to fear from the adoption of any such policy (as will be seen hereafter), and Manchester remains the citadel of Free Trade.

India is the most important market of the cotton industry. In 1908, the British East Indies took 40 per cent. of the piece goods exported from the United Kingdom—as great a proportion of the total quantity exported as in 1880. This industry is practically the only one in which, through all variations in policy, the United Kingdom has maintained her supremacy in the Indian market during the last thirty years; that is to say, in which foreign imports into India have not increased at a greater rate than British. As the cotton trade with India is subject to different fiscal arrangements from any other Indian import, it may be as well briefly to recall the dominating issues which have arisen in

regard to this industry. In 1875, chiefly in response to pressure from the Lancashire cotton manufacturers, India was ordered to abolish her Customs Tariff.¹ During the following years, the duties were reduced, and in 1882 they were entirely abolished by Lord Ripon. In 1894, as a result of financial embarrassments, a 5 per cent. tariff was introduced in India. In this tariff it was proposed to include cotton goods. The representations of a deputation from the powerful Lancashire industry, however, forced the Secretary of State to modify his views. But on the other hand there was widespread agitation in India against the manner in which, according to Indian opinion, Indian interests had been subordinated to English claims. To meet this, Sir Henry Fowler, the Secretary of State, proposed a compromise of import and excise duties on cotton, both fixed at 5 per cent., with certain exemptions for Indian yarns. By the Cotton Duties Act of 1894, an excise was imposed on all yarns produced in India above 20 counts. Protests from Lancashire continued against the alleged protective character of the Indian duties; and in 1896, the import and excise duties were reduced by Lord George Hamilton to $3\frac{1}{2}$ per cent. A change was made, and the excise on yarns above 20 counts became an excise on all cotton cloth produced in Indian mills. This measure was not carried through without violent protests in the Indian Legislative Council, at Calcutta, but finally the Indian Government was forced to yield to pressure from the Home Government, and the import and countervailing excise duties have since stood at $3\frac{1}{2}$ per cent.²

¹ Cf. Sir J. Strachey, quoted by Lord Curzon, letter to *Times*, June 2, 1908.

² See Lord Curzon, *Times*, June 2, 1908; also letter August 15, 1908.

Now, in the words of Sir W. Hunter, spoken in 1895, there can be no doubt that the struggle is between India and Manchester. An Indian gentleman in the Legislative Council of Lord Elgin, when as Viceroy he imposed the excise duties on the cloth woven in Indian mills, remarked : " There are indeed sixty good reasons for his Excellency's proposals, for there are sixty Lancashire members who have votes in the House of Commons." ¹

What then is the view of the cotton industry ? According to Mr. William Tattersall of the Lancashire Cotton Spinners' Association, ² there has been no question of pleasing Lancashire, but simply of carrying out our traditional Free Trade policy between India and ourselves. All along Lancashire has been in favour of the abolition of both the duties and the excise. But the Government of India finds it impossible, for revenue reasons, to dispense with the import duties, and therefore the countervailing excise must remain. This is strictly in accordance with Free Trade principles. It is felt that while a system of Free Trade is maintained by the Mother Country, she is justified in insisting on its maintenance in India. ³ If, however, " our fiscal policy, as laid down by the late Lord Salisbury, be tampered with in the direction of Tariff Reform, then a policy of Protection cannot be denied to India." ⁴

It is admitted on all hands that India is intensely protectionist in feeling, that she desires the control of her own fiscal policy for the protection of her nascent industries. Of these, the cotton industry

¹ Sir Roper Lethbridge, " India and Imperial Preference," p. 60.

² Letters to the *Times*, May 19 and June 9, 1908.

³ Cf. Lord G. Hamilton at Ealing. Gilmour; " Fiscal Controversy," p. 195.

⁴ Tattersall, letter to the *Times*, May 19, 1908.

is the greatest, and this, which presents the greatest opportunity for industrial development is, in Indian opinion, crippled by the countervailing excise, "a duty unheard of in any other civilized country."¹ If the people had their way, the excise would disappear and the import duties remain. This is what the Lancashire cotton industry fears will result from any change in our fiscal policy. In defence of the countervailing excise, which is described by Sir Roper Lethbridge as "perhaps the most vexatious and irritating tax that human ingenuity has ever invented," Mr. Shackleton, speaking as an M.P. for a division of Lancashire, who has been on every deputation with regard to the excise and import duties in India for the last twenty years, maintained that² Lancashire's object in insisting on the countervailing excise is "to secure for 98 per cent. of the trade in cotton in India to the Indian wearer the price that Lancashire produced it at, and not the fictitious prices which the manufacturer in India might be able to put on." He declared that this is the view not indeed of the manufacturer, but of the "poor man with his low wage, who has to buy the calico necessary to cover him, and that the policy of Lancashire has been in the interests of the great democracy of India."

This is an argument for the abolition of both import and excise duties, but hardly for the maintenance of the excise, if the import duty must remain ; and this for the following reasons. It is denied that there is any real competition between the Indian textile mills and Lancashire, as Lancashire goods are fine and are made from cotton which India

¹ Mr. Romesh Dutt, *Times*, June 3, 1908.

² Debate on Address, Report, vol. xiv., No. 5, February 24, 1910, pp. 444-5.

cannot at present produce; while Indian cloth is coarse, and made, with the exception of an infinitesimal portion, from the short staple cloth of India.¹ Sir James Westland, then financial member of the Viceroy's Council, in a despatch to the Secretary of State (August 7, 1894), stated that of all the cotton manufactures of India, quite 94 per cent. were absolutely outside the range of competition with Manchester, being coarser goods made from yarn 24's and under, which Manchester could not pretend to supply as cheaply as India. The poorer classes, apparently, cannot afford the finer Manchester goods, and are supplied by the up-country mills at Cawnpore and elsewhere, while the Bombay mills are supposed to be dependent on the China trade. Now the excise undoubtedly increases the cost of the products of the Indian mills. If the excise were removed and the import duty remained, it is doubtful whether the manufacturer could force up the price, because there would still be competition between the power looms, and the hand mills and the looms in the native States, of which the two latter now compete at an advantage, as they escape the excise altogether.

Lancashire fears that under cover of a protective duty, the Indian cotton manufacturer will develop into a strong competitor. It is denied, as has been seen, that the import duty is protective, except to a small extent. It will be long before India will offer much competition to the English cotton industry. In 1894, Sir James Westland expressed the opinion that Manchester has a more serious rival in the Continental than she is ever likely to have in the Indian manufacturer.² It

¹ Letter to *Times*, August 15, 1908.

² Lethbridge, letter to the *Times*, September 18, 1903.

must, however be recognized that the time will come when we must yield to India the direction of her own fiscal policy. We cannot ignore the fact that the movement for Swadeshi—"my own country's products for me"—owes its real strength in the words of the Hon. Dr. Rash Behari Ghosh, the President of the Reception Committee of the Indian National Congress in 1907, to "our natural desire to nurse our own industries, which the Government of India, with their Free Trade principles, are unable to protect by building up a tariff wall."¹

The words of Mr. Romesh Chunder Dutt are animated by the same idea: "There is a movement which is growing and spreading day by day over the whole continent of India, which the nation has begun earnestly, and which the nation will not let die. The Swadeshi movement is an industrial revolution, more far-reaching in its effects than many political revolutions, and history will record in future ages how the people of India, in the commencement of the twentieth century, effected their own industrial salvation. Without any control over our own tariff or financial arrangements, . . . we have determined, simply by giving preference to our home manufactures, to revive the industrial activity of this vast country and to improve the condition of our industrial population."²

The contest between Lancashire and India with regard to the cotton trade continues, provoking intense animosity. The irritation has been caused by the countervailing excise; but even if the Government of India found itself in a position to dispense with both import and excise duties, which

¹ Lethbridge, "India and Imperial Preference," p. 27.

² *Ibid.* pp. 27-8.

Lancashire would welcome, it seems as if feeling in India were too much roused to admit of such a settlement. The English cotton manufacturers are undoubtedly justified in anticipating that Protection at home will bring with it Protection in India, but will it not be only hastening an almost inevitable course in India? We have not been able to prevent our self-governing Colonies from adopting the policy common to young industrial countries, shall we be justified in preventing it in India? Shall we be able to come to some understanding with India? As has been said, competition from India will probably not be severe for long years to come. Manchester's protection should lie in the future, as in the past, in the excellence of her goods.

We have dealt at some length with India, because of its importance to the cotton industry. There are, however, other matters which affect the trade. Until it was made clear that raw material would certainly be exempted from any taxation under any protective tariff, Lancashire had great reason to tremble for the very foundation of the cotton trade. It has, however, been assured that under no circumstances will imported raw cotton be subjected to a duty. Still there are other necessities of this, as of other industries, which are now, thanks to Free Trade, cheaper than in any other country, the cost of which the introduction of a protective policy might increase.

Furthermore Lancashire fears that the system of social peace now firmly established by arbitration and conciliation between masters and men might be subject to frequent disturbances under a tariff *régime*. Lastly, there is always in the background a feeling of apprehension lest the United States should place an export duty on cotton. Such a

duty would be contrary to the article of the Constitution which establishes ¹ that: "No tax or duty shall be levied on articles exported from any State." Whether under the influence of economic pressure, commercial interests would lead the United States Government to modify or remove this paragraph of the Constitution, is a question upon which it is perhaps unnecessary to venture an opinion.

It is clear that, apart from the introduction of a tariff in the United Kingdom, circumstances might arise causing strained relations between the United Kingdom and the United States, which might lead possibly to the modification of the United States Constitution in the direction indicated. Such a modification would have a disastrous effect on the cotton spinners of Lancashire. The importance of a supply of raw cotton which shall be independent of such contingencies, has been realized in the grant of a subsidy of £10,000 a year for three years, by the present Liberal Government, to the British Cotton Growing Association, for the encouragement of cotton growing within the Empire.

The iron industry and the cotton industry have thus been dealt with. It is obvious that, in so short a space, not all trades can be discussed, but only typical ones. There are two which are of great importance to the United Kingdom, the building trade and the wool industry, the former of special interest from the point of view of cheap housing and the housing problem. Suffice it here to say, that building is extraordinarily sensitive to changes in prices in a large number of articles, a great variety of materials being necessary for the industry. Any

¹ Constitution, Article 1, Section 9. Bryce, "American Commonwealth," third edition, vol. i., p. 701.

fiscal policy which would serve to enhance their price, would be detrimental in the extreme to the building trade, which has already to contend against very trying climatic conditions.

With regard to the wool industry, the Tariff Commission reported that there were great complaints as to the effects of foreign tariffs. It was said that as a result of them yarns were tending to take the place of finished goods in the export trade, and wool and tops the place of yarns.¹ Manufactures in France, Russia, and Germany have increased to an enormous extent. Formerly little wool was sent away from Bradford. Now wool merchants state that they have less trade in proportion with Bradford spinners and more with French and German houses.² The exportation of wool is generally regarded as a sign of decadence of the British woollen and worsted industry, as spinning, manufacturing, dyeing, and finishing are now done to a less extent at home,³ and Bradford (*e.g.*) was said to be employing less looms than formerly, as a result of the decline of the export trade.⁴

The advantages generally enjoyed by foreigners are said to be ⁵ (1) their tariffs; (2) their extensive use of tops combed in Yorkshire and admitted practically duty free; (3) the fact that they can secure as cheap or even cheaper deliveries of wool as spinners in Britain; (4) the use of British machinery; (5) the long hours and low wages which prevail—conditions which are said to make it extremely difficult for British spinners to compete on fair terms.

Illustrations were given to the Commission of importations of yarns below British cost price, due

¹ Tariff Commission, Woollen Industry, Section 1328.

² *Ibid.* Section 1320.

³ *Ibid.* Section 1324.

⁴ *Ibid.* Section 1336.

⁵ *Ibid.* Section 1326.

to lower wages and longer hours in foreign countries, but instances were also quoted of dumping in the strict sense of the term.

It was admitted that certain French yarns in the finest counts were not only cheaper but better than can be spun in this country ;¹ and that in hosiery yarns, for instance, the importation of French and Belgian yarns was due to neglect by British spinners of a method which enabled foreign spinners to produce cheaper yarns.² The decreased consumption of wool in the home market is ascribed partly to the Australian drought and partly to uncertainty in the trade.

What is the evidence afforded by statistics ? In the first place the consumption of raw wool per head of the population, which was 11·8 lbs. on an average in the years 1890-4, and 12·4 lbs. in 1895-9, was 10·7 lbs. in 1900-4, and 11·1 lbs. in 1905-8. During the last fifteen years, shoddy appears to have supplied the place of wool, for the consumption of wool and shoddy per head was 17·07 lbs. per head in 1905-8, as against 16·35 lbs. in 1890-4.³

With regard to exports of raw wool, the proportion of the Colonial and foreign produce exported raw has decreased, and the proportion of the domestic clip has increased during the last thirty years.⁴ The proportion of raw wool re-exported, which was about 49 per cent. in the years 1875-9, and 54 per cent. in the years 1880-4, was about 43 per cent. in the periods 1900-4 and 1905-8. On the other hand, the exports of raw British wool, which in the period 1880-4 was about 12 per cent. of the estimated domestic clip, had risen to about 23 per cent. in

¹ Tariff Commission, Section 1325.

² *Ibid*, Section 1330.

³ Cd. 4954, pp. 161 and 163.

⁴ Worked out from Cd. 4954, p. 161.

1900-4, and 25 per cent. in 1905-8. But the domestic clip is very much less than the quantity imported, 131 million lbs. in 1905-8, as against 683·3 million lbs. imported wool; therefore taking the imported wool and the domestic clip together, the proportion of raw wool exported was less in 1905-8 than in 1880-4—about 40 per cent. as against about 45 per cent. in 1880-4.

The fact that a smaller proportion of imported raw wool is now re-exported than formerly probably means that London is now less the *dépôt* for the Continent than formerly, and that wool now goes straight from Australia and elsewhere to European countries.

During the ten years 1900-1909, the export of manufactures of wool of home produce have increased from £23,796,009 to £30,917,807. It was urged before the Tariff Commission that the chief increase has been in wool tops, that is to say, the stage of manufacture next to the raw material, and indeed the export of tops has very much increased during the ten years, from £1,608,333 in 1900 to £2,832,291 in 1909.¹ But when it appears that the actual quantity of wholly or mainly manufactured goods exported in 1908 is less than the quantity exported in 1899, and that the value has increased from £23·6 millions to £28·4 millions, it is evident that the individual goods exported are of greater value.²

It is admitted that in certain classes French goods are, and are likely to remain, pre-eminent. Cashmere hosiery yarns, mule-spun, are imported into the Leicester, Glasgow, and Nottingham

¹ Statistical Abstract for United Kingdom, 1895-1909, pp. 180-1.

² Statistical Abstract 1894-1908, pp. 162-5.

districts cheaper than they can be manufactured in this country.¹ Attempts have been made to imitate the process, but so far without success. In the dress-goods trade the French rely mainly upon the British market for their trade. They are said to have a virtual monopoly in certain classes of dress coatings. Costume cloths, and other classes of women's goods, are sold in England considerably below British cost.²

On the other hand, the Germans are said to dye cheaper and better than the English, and instances were given of Bradford and Leeds goods being sent to Germany to dye and finish, because the process is cheaper.³

Germany and France, it is urged, are helped in their dealings with the London market by the fact that they have a secure home market, a powerful commercial organization, and a preferential rating system on their railways.

The successful foreign competition may perhaps be due to some extent to this, and also to the cheaper labour abroad, but undoubtedly it owes more to pre-eminence in certain departments of the industry. As Lord Brassey⁴ has said, such imports would not be excluded by a 10 per cent. duty. They consist, at any rate as far as France is concerned, chiefly of dress fabrics. The dyers in the Bradford district cannot equal the delicate shades produced at Roubaix. The French manufacturers have a natural aptitude for colour and design. In woollen goods of other descriptions, such as carpets, we are second to none. The future

¹ Tariff Commission, Section 1380.

² *Ibid.* Section 1381.

³ *Ibid.* Section 1385.

⁴ Brassey, "Sixty Years of Progress, and the New Fiscal Policy," p. 35.

of the British woollen industry must lie in developing those branches in which we excel. It is only by keeping an open market that manufacturers will be spurred to greater efforts.

It must also be borne in mind, when we speak of foreign competition, that British exports of woollen goods far exceed those of all the principal industrial countries combined; and furthermore, that the woollen manufacturers find their chief market at home.

Finally, it must be remembered that, at two successive General Elections,¹ the great seats of the wool industry in the West Riding of Yorkshire—Huddersfield, Halifax, Bradford, Leeds, Dewsbury—have shown unmistakable adherence to Free Trade principles. The South and West of Scotland, the other great centres of the industry, have, with few exceptions, revealed the same conviction. Only in the West of England centres, in Wellington in Somersetshire and in Wiltshire, is there any evidence of views opposed to Free Trade.

We have thus examined our great staple industries, iron and steel, cotton and wool. Of these, we find that two out of three firmly adhere to Free Trade policy. In the third, the iron and steel industry, opinion is divided; but there is a strong feeling among some of the leaders of the industry in favour of Free Trade. The numbers employed in these great staple industries form, as we shall see later, a large proportion of the industrial population.

CAUSES OF DEVELOPMENT OF GERMANY AND THE UNITED STATES.

What have been the causes of the industrial development of Germany and the United States,

¹ We may now say, "at three General Elections." December, 1910.

which has certainly been more rapid during the last thirty years than that of the United Kingdom? The Protectionist ascribes it very largely to their protective policies, but it is very doubtful whether that is the chief, or even one of the most important causes; and, at any rate, other factors of vast significance must be considered. In the first place, Germany and United States are new countries, new nations, politically and economically. Between 1860 and 1870 they were each of them welded together by war, which in the case of Germany followed, and in the case of the United States preceded, economic unity. Each owes much of its strength to the possession within its borders of a large growing population, among whom there is absolute free trade.¹ The German Zollverein, as has been said, was the most important movement towards Free Trade that the world has ever seen, except the contemporary reform of the British fiscal system. All artificial restrictions, as between State and State disappeared. In the United States, as a result of the Civil War, the large plantations of the South, with their slave labour, inimical to industrial development, disappeared, and the South was transformed and assimilated to the industrial North.

Here then were two vast new countries, in the infancy of their industrial life. In comparing their development with that of the United Kingdom, already long a homogeneous whole, we are as it were comparing the rate of growth of a child with that of a full-grown man. The United States are not yet filled up. "That is the bed-rock fact about the United States at present from an industrial

¹ Marshall, "Memorandum on the Fiscal Policy of International Trade," 1908, p. 18.

point of view.”¹ It is an immense country with vast natural resources, a sufficient population to develop them and yet abundant room for expansion. The United States present a unique combination of agricultural and mineral riches, worked in a temperate climate by a mixture of races of great alertness and quickness.² Foreign trade is not really necessary to them. They have a domestic trade larger than was that of the whole Western world when they achieved their independence.

As for Germany, her mineral resources, since the iron ores of Luxemburg and Lorraine have been rendered available for the manufacture of steel, appear to be about equal to those of the United Kingdom.³ Her agricultural resources are much larger. Her population is larger and increases at a greater rate than that of the United Kingdom. “Her position in foreign commerce is in some respects better than that of England. The ocean routes from her ports are indeed a little longer than those from England; but even here there is some compensation, because her ships can make up their cargoes in convenient ports of Holland, Belgium, France, and England. And what is of far greater importance she has almost exclusive access to large areas of Eastern Europe, which are ready to use Western goods, but are not as yet ready to make such goods themselves; she is able to send light goods to them in through railway waggons cheaply and quickly.” It is said that the greater part of Germany’s increase in foreign trade in recent years is with these countries, and that it is due to

¹ Shadwell, “Industrial Efficiency,” vol. i. p. 16.

² Marshall, “Memorandum on the Fiscal Policy of International Trade,” p. 17.

³ *Ibid.* pp. 17–18.

advantages which scarcely any fiscal policy could destroy. The advance in Germany's trade with the British Empire must not, however, be forgotten.

Both these countries, the United States and Germany, have enjoyed, during the last forty years, practically uninterrupted peace. On the Continent of Europe too there have been no upheavals, such as those which shook the nations in the early part of the century. These upheavals did not affect England adversely, but were, in fact, beneficial to her foreign trade, as she had arrived at a stage of development which enabled her, being at peace, to supply the wants of her warring neighbours, while they were themselves crippled.

Finally we must consider certain broad characteristics which its past history has developed in the people of the United Kingdom. They are little comparable with those of the United States or of Germany. The United States, it must be remembered, have a population composed of the most adventurous of the peoples of the Old World. A policy which has perhaps acted as an incentive to the ingenious, exuberant youth of the United States, and the energetic steady-going young Germany, might well act as a soporific in the United Kingdom. We are neither as alert as the United States nor as plodding as Germany. We need bracing. England was once the sole leader, and has lost her position.¹ Perhaps the very prosperity which followed the adoption of Free Trade accounted also in part for the rapid loss of that leadership. It brought with it a certain self-complacent slackness. It is probable that, hedged around by protective tariffs, England would

¹ Marshall, "Memorandum on the Fiscal Policy of International Trade," p. 21.

continue in the old familiar industrial processes, by which it is impossible that she should now hold her own. We are not a young race, but we should travel far before we adopt what, in our stage of development, would be a policy which confesses our exhaustion. What is needed is energy and alertness, and the greatest spur is surely "to keep the markets open to the new products of other nations."¹ These, together with improved education and organization, should be of greater value in helping the United Kingdom to remain one of the leaders of industry than a policy of exclusion.

With regard to the success of Protection, it is noticeable that the United States and Germany are the countries which are invariably and almost exclusively cited in evidence.

There are many other protective countries, which do not show the same record of success as Germany and the United States. To quote only two, there are France and Italy.

With regard to France, M. Yves Guyot² gives the following figures of French foreign trade:—

Annual average.	Imports.	Exports.	Total.
	Million francs.	Million francs.	Million francs.
1855-59	1,732	1,894	3,646
1861-65	2,447	2,564	5,010
1876-80	4,292	3,375	7,667
1882-86	4,453	3,319	7,772
1887-91	4,414	3,504	7,918
1892-96	3,882	2,310	6,192
1897-1901	4,402	3,876	8,278
1902-1905 (4 years)	4,618	4,455	9,073

The war period is here omitted. The period

¹ Marshall, "Memorandum on the Fiscal Policy of International Trade," p. 23.

² "Le Commerce extérieur de la France en 1905," p. 4.

1876-1880, however, shows an increase over the period 1861-65 of 52 per cent. in the foreign trade, in spite of the intervening war, the indemnity of 5 milliards and the loss of Alsace and Lorraine. In the early eighties the period of commercial treaties came to an end, the tariff was altered in 1881, and from that time trade stagnated. In 1892, the new Méline tariff, inaugurating a period of stiff protection, came into force. During the period 1892-96, imports declined indeed, but with them exports. Since then both have increased. But, as has been seen, the proportional increase of French exports in the period 1905-8 over the period 1880-4 was about 50 per cent., compared with an increase of 57 per cent. in the United Kingdom.¹ The increase in her imports in the same time was only 16·8 per cent. France has therefore certainly succeeded by tariffs in checking foreign competition in the home market, but has she in so doing maintained her position abroad ?

M. Guyot calculates² that France has seven principal customers on whom the prosperity of her export depends. These are the United Kingdom, Belgium, Germany, the United States, Spain, Italy, and Switzerland. In not one of these countries have French imports retained the proportion to the total imports of the country which they held in the period 1887 to 1891.

In Germany the level is practically maintained—being 7·5 per cent. in 1887-91 and 7·1 per cent. in 1903-5.

In Belgium, French imports were 32 per cent. of the total imports in 1887-91, and 24 per cent. in 1903-5.

¹ Cd. 4954, p. 61.

² "Le Commerce extérieur de la France," p. 12-13.

In the United Kingdom they are stated as 18 per cent. in 1887-91, 8 per cent. in 1903-5. (The former figure is not borne out by the Blue Book Cd. 4954, p. 29. There has, indeed, been a decline in the proportion of French imports; but following on an increase from the period 1880-4 to 1895-9).

M. Guyot points out ¹ that ten out of fourteen of the principal articles of French export are manufactured goods. They do not flourish, because, according to this view, they lose their market in foreign countries as a result of the French protective policy.

Thus the year 1905, which was exceptionally favourable to the cotton industry, produced no good result in France.² Of the goods exported 72 per cent. were sold in the French Colonies, where the duties assure a monopoly. The cotton industry is one of the most protected in France; but as M. Guyot remarks, it cannot be protected outside the country. As a result, M. Méline himself declared (in 1904) that he was forced to the sad confession that the export of cotton goods was tending to diminish, while it was increasing in England and Germany.³ An official report declares that the cotton industry "*Manque un peu de ressources du côté des débouchés.*"

This phrase of M. Gustave Roy, one of the *Rapporteurs de la Commission des Valeurs de Douane*, with regard to the cotton industry, is indeed a summing-up of the weakness of trades favoured by Protection. They tend to lose their energy; and to adopt the attitude that Protection is a substitute for first-rate work.

¹ "Le Commerce extérieur de la France," p. 34.

² *Ibid.* p. 37.

³ *Ibid.* p. 38.

A general slackness sets in. Thus it is said that France has lost her market for eggs in England, as a result of the carelessness displayed with regard to cleaning and grading. One of the railways, moreover, refuses all responsibility for French flowers, owing to the bad packing.¹

With regard to internal consumption, France consumes less cotton per head than the United Kingdom, Germany, or the United States, though there has been a considerable increase, notably since 1890.²

With regard to wool it must be said that France stands at the head, consuming 13·7 lbs. per head of the population, as against 11·1 lbs. in the United Kingdom, 6·2 lbs. in Germany, and 5·8 lbs. in the United States.³

But it is agriculture which is most highly protected. France is one of the great corn-producing countries of the world. The duty on corn is now 12s. 2d. a quarter. Yet the total consumption of wheat is less in *actual amount*, as well as per head of the population than it was during the period 1880-4.⁴

M. Guyot declares⁵ that only 5 per cent. of Frenchmen are interested in Protection, which is most injurious to the cloth industry, an industry which employs nearly 25 per cent. of the active population of France; and which, far from needing Protection, only needs opportunity for expansion. The industries which could develop and exist by themselves are crushed by the tribute which they have to pay to the protected industries, and notably

¹ Yves Guyot, "Le Commerce extérieur de la France," p. 52.

² Cd. 4954, p. 159.

³ *Ibid.* p. 165.

⁴ *Ibid.* p. 177.

⁵ "Le Commerce extérieur de la France," p. 53.

to the four agricultural provinces of the North-West, North and North-East.

In this connection, the complaints of the wine-growers of the South of France, with regard to bad sales, offer food for reflection. These poor sales are the direct result of the protectionist policy of putting prohibitive duties on foreign wines. This led the viticulturalists to believe that they could successfully dispose of wine in any quantity and of any quality. They therefore put upon the market inferior wines, which will not keep and will not bear moving, and hence suffered great disappointment in their sales.

M. Yves Guyot declares that the advance in French foreign trade is due, not to her tariff policy, but to the increasing wealth of her principal customers. But for the protective system, which has led to the exclusion of French goods from foreign markets and also to the slackening of industrial energy in France, the share of France in the development of her neighbours might legitimately have been expected to be far greater.

We turn to our second example. The hopes of a great industrial expansion of Italy, as a result of the Union, have been but slowly realized. An attempt was made here, as elsewhere, to break down the restrictions on trade; and from 1863 to 1878, Italy was practically Free Trade.¹ In 1878, mild protective duties were imposed. But, during the eighties, as a result of the growing cry of the agriculturalists for protection against American competition, backed by the demand for the industrial party in their sphere, a high tariff was introduced, of an average duty of over 60 per cent. There

¹ King and Okey, "Italy To-day," 1909, p. 152.

followed as a result, the tariff war with France, and immediately Italian exports to France dropped from £17 millions to £6 millions. The total loss of trade, until 1891, when the tariff war came to an end, has been estimated at about £120 millions. In 1891, an agitation in favour of Free Trade began among the agriculturalists of the South.¹ The following year, a system of commercial treaties was instituted, beginning with Germany, Austria, and Switzerland. Many years later negotiations were entered into with France, and in 1899 a new treaty came into force, by which the two countries mutually conceded to each other most-favoured-nation treatment, except for silk and silk goods.

What has been the effect of Protection on industry? There has undoubtedly been some improvement in Italy since 1860. Wealth has slowly increased, and as the savings-banks show, there has been a possibility of saving. Between 1860 and 1885 wages rose, but after that they remained stationary on the whole for about fifteen years.² The Italian labourer is still worse off than any in Europe except the labourer of Spain (another Protective country). Throughout Italy, the poverty is extreme, the average income per head being £7 16s. 8d. as against over £31 in Great Britain.

The quantity of cereals consumed by the Italian workers is extraordinarily low, their consumption of meat very small; and it is held that, in spite of their comparatively few wants, they are generally underfed. Wheaten bread and salt are still luxuries.³

It is estimated that Italy pays a higher percentage of its income in taxes than any of the larger

¹ King and Okey, "Italy To-day," p. 153.

² *Ibid.* p. 124.

³ *Ibid.* p. 131.

European States, except Spain.¹ These taxes fall most heavily on the working-class, who pay, it appears, 10 per cent. to 20 per cent. of their wages in direct or indirect taxation, even if they drink no wine. If the central and local indirect taxes fall on the artisan and labourer, the direct taxes hit most heavily the small farmer and proprietor, who pays income tax, succession duty, and a land tax and rates which alone absorb from 20 per cent. to 25 per cent. of the net profit of his farm.²

It appears that the middle-class Italian in general finds methods to defraud the Exchequer; and it is said that the majority of industries in the North manage wholly or in part to escape income tax.

Facts do not bear out the opinion generally expressed in Italy that Protection has been responsible for the recent expansion of Italian trade.

When the protective tariff of 1887 was introduced, imports had been on the increase, while exports had remained stationary.³ After the introduction of the tariff, imports fell considerably, and statistics seem to show that from 1887 onward, native cottons, woollens, iron and steel rapidly superseded the foreign articles in the home market.⁴ But, at the same time, exports showed a progressive decline, and foreign trade languished until 1898. Since then there has been a great change, and since 1900 the expansion of Italian trade has been remarkable. In 1898, exports rose from £39 millions to £48 millions, and to £57 millions in 1899; while imports rose to £56·5 millions in 1898, and £60 millions in 1899.

Since then the course of foreign trade has been the following :—⁵

¹ King and Okey, "Italy To-day," p. 138.

³ *Ibid.* p. 143.

⁴ *Ibid.* p. 154.

² *Ibid.* p. 140.

⁵ *Ibid.* p. 372.

IMPORTS AND EXPORTS.

						Average. £
1896-1900	..	..	..	..	..	104,750,000
1901-05	..	..	..	..	..	134,000,000
1906	..	..	..	..	..	176,750,000
1907 (excluding metals)	..	..	..	..	..	193,250,000 nearly.

In imports, raw and partly manufactured materials have increased from £24½ millions in 1892 to £68¾ millions in 1907.

Exports of manufactured articles have risen from £4¾ millions in 1892 to £18¾ millions in 1907. In 1906 the export of silk reached £27½ millions, Milan outstripping Lyons.

The export of cotton and woollen goods has also increased, and also the import of coal.

Now, no doubt Protection at first gave some stimulus to the young Italian industries. On the other hand, the tariff of 1887 was the direct cause of the tariff war with France, which caused so great a set-back to Italian foreign trade.¹ Increased skill, the development of new markets, the discovery of a cheap form of motor-power, and the general expansion of trade throughout Europe are the main causes of the recent advance. Italy occupies the same position in the Mediterranean which Germany occupies in the Baltic, and might well look forward to great development. Moreover, the recent expansion dates from about 1898, and may well be ascribed to Italy's commercial treaties, with Germany, Austria, Switzerland and France, rather than to the protective tariff of 1887, which had had such disastrous results in the ten preceding years.

Italian agriculture has not shared in the general prosperity of recent years.² During the period 1900 to 1907, the period of the great industrial

¹ King and Okey, "Italy To-day," p. 154.

² *Ibid.* p. 373.

expansion, the increase in the exports of food-stuffs and agricultural produce was only from £11½ millions to £20½ millions.

It is not the most successful industries which are most protected, or most eager for Protection. The policy seems only to have given a sickly existence to a certain number of industries, which are not likely to flourish. Thus, for instance, in spite of heavy bounties and very high duties on foreign sugar, the sugar-refining industry languishes, and the policy has only succeeded in checking the consumption of sugar.¹ On the other hand, the silk thread industry, though protected only very slightly, is one of the most flourishing industries in Italy. But far from demanding higher Protection, the silk trade seems to be very keenly in favour of the commercial treaty system.²

But over against the reaction towards Free Trade, which seems to be setting in, are the interests which have grown up. Italy suffers in an acute degree from the connection between politicians and speculators, which is one of the most disastrous results of a protective policy.

We have thus seen that neither France nor Italy under a Protective system have developed as Germany and the United States have developed.

We may therefore conclude that a policy of Protection is not invariably crowned by success ; and that it has, in fact, no intrinsic merit, considered apart from the special conditions of individual countries.

Moreover, the very successful States cited above appear to be considering a modification of the fiscal policy, to the agency of which their development is almost wholly ascribed by Protectionists.

¹ King and Okey, "Italy To-day," p. 154.

² *Ibid.* p. 155.

REVENUE ASPECTS.

Considerations of revenue seem to lead to the conclusion that the United Kingdom may no longer be able to avert a tariff. During the last 50 years the population has risen 50 per cent., and is now showing signs of stagnation. The estimated national revenue has risen only 65 per cent., while national expenditure has doubled during the period.¹

The question arises therefore, can we reduce our expenditure, or can we on the other hand expand the existing sources of revenue? If we can do neither, we must find new sources of revenue.

With regard to expenditure, apart from payments to local taxation accounts and grants to Ireland for land purchase, the great increase in recent years has been in the department of education and imperial defence. Can we reduce this? Are not education expenses likely to increase, if we are to feed as well as teach children at the public expense? Turning to the army, the Territorial scheme involves an increased outlay;² while the growth of the German navy necessitates, as Mr. Asquith and other Radical Ministers admit, increased naval expenditure.³

We may, in fact, conclude that our expenditure is likely to be enormously increased under these heads, while the same is true of existing and proposed social legislation. Old Age Pensions are estimated to cost £9 millions in 1909-10, and

¹ Sir C. Follett, *National Review*, September, 1905.

² Haldane, March 10, 1910.

³ Budget Estimates, 1909-10:—Army, £27·4 millions; Navy, £35·1 millions; total, £62·5 millions, out of a total national expenditure of £164·65 millions. The actual outlay in the previous year was: Army, £26,840,000; Navy, £32,188,000; total, £59,028,000. The supplementary estimates of March, 1910, show a far larger increase.

we have also to meet the cost of Labour Exchanges, and the proposed scheme of insurance against unemployment.

With regard to expenditure,¹ there are, according to the analysis of Sir R. Giffen, three items against which the charge of irrelevance or waste "at a time like this" may be brought:—

- (1) Old Age Pensions (£8,750,000), which have been introduced with too little consideration of the *contributory* element, and perhaps at the wrong time.
- (2) Payments to local taxation account (£9,483,000), which are the means of ministering to local extravagance, though it is a good thing that they are now brought to account instead of being concealed as formerly.
- (3) The charge for the reduction of national debt (about £10,000,000) included in the total debt charge of £28,000,000. This is approved of as tending to improve the national credit. "If we had large surpluses applicable to debt reduction arising out of indirect taxation, there might be a case for debt reduction even at the present time; but as things stand there is nothing to be gained. We must see to defence. We need a preparation in finance corresponding to that of Germany; not a hasty raising of taxes almost anyhow, but a careful study of ways and means."

The existing sources of revenue are:—(1) Direct taxation: the land tax and house duty; stamps; death duties and income tax. (2) Indirect taxation: here the really valuable items are (a) alcohol, wine, spirits, beer; (b) tobacco; (c) the breakfast-table—tea, coffee and cocoa; (d) sugar; (e) licences.

To take indirect taxation first, it is doubtful whether either alcohol or tobacco can be made to produce an appreciably greater revenue. Already the wine duty and the beer duty has shown diminishing returns. The Budget of 1909–10 imposes increased duties, and as a result the Chancellor of the Exchequer anticipated a decline in the consumption

¹ *Quarterly Review*, July, 1909.

of foreign liquor.¹ In regard to tobacco, it may be doubted whether the increased taxation will not lead to decreased consumption.

Schulze-Gaevernitz has remarked upon the fact² that already in the year 1904-5, the taxes on spirits, beer and tobacco brought in, in England, 24·2 marks per head of the population as against 4·8 marks per head in Germany—or more than 5 times as much in England as in Germany. The actual amount in England was nearly 1000 million marks, *i.e.* £50 millions. With regard to the duties of the 1909-10 Budget, Sir R. Giffen declared³ that licence duties on “the Trade” belonged to the controversies of “last year,” *i.e.* 1908, and not properly to the question of finance. Suddenly to impose on one particular trade and no other a tax of £2,600,000 is not sound business.

As to sugar and tea, both political parties are pledged not to raise these duties, and no increase can be expected. Coffee yields a small stationary revenue. Cocoa, for financial purposes, is insignificant. Of the licences, the publicans' licences produce the largest amount of revenue, but the item has been stationary or declining during the last few years. The new scheme proposes to put increased duties on beer, spirits and tobacco and on liquor licences. It seems probable that the point has been reached at which increased taxation of these articles will be progressively unprofitable.

With regard to direct taxation the important items are the income tax, the death duties and the land tax. The stamp duties have, for some years,

¹ Cf. Budget Speech, June, 1910.

² Schulze-Gaevernitz, “Deutschland und England,” 1908, p. 45.

³ *Quarterly Review*, July, 1909.

yielded about £8 millions. It is proposed to get a little more than £ $\frac{1}{2}$ million increased revenue from them.

The question remains whether the other direct taxes, income tax, death duties and land tax, can be so increased as to meet the probable augmentation in expenditure in the future. The property and income tax yield almost £34 millions; estate duties about £19 millions; and land and house duty about £2 $\frac{1}{2}$ millions. To some¹ it appears that both the income tax and the estate duties are, when they reach the level at which they now stand, an unwise tax, being a tax on capital.²

But the Budget (1909-10) greatly increases both these forms of taxation, and from the increase an extra revenue of over £6 millions is anticipated.³ It is suggested that in a short time the estate duties alone will yield an additional revenue of nearly £7 millions.

How then shall we obtain resources with which to meet an increase which may, according to Sir Charles Follett, take place in a few years, amounting to £30 millions, in the national expenditure. Sir Charles says: "If we taxed manufactured goods, as Adam Smith suggested, and partly manufactured goods with graduation in accordance with the extent

¹ Including the late Sir R. Giffen.

² Sir R. Giffen, *Quarterly Review*, July, 1909.—Income tax and death duties "cannot be raised without becoming real taxes upon capital, taking from the community much that would otherwise have been saved and devoted to industrial investment, i.e. to the promotion of the wealth of the country, the payment of wages. . . . High income taxes and death duties tax capital at the precise stage where it is being saved. The argument for special direct taxes on the rich, and especially on the very rich, in order to restore the equality which is disturbed by a Budget imposing indirect taxes exclusively, or almost exclusively, might be an excuse for moderate income tax and death duties. . . . We need *full and complete information* as to the *incidence of taxes* on the *different classes*. This is not available."

³ Lloyd-George, April 29, 1909, Hansard, pp. 510, 512, 513.

of labour expended, it would at the utmost produce not more than £10 millions." Where should we turn for the balance? We could tax some luxuries heavily, but that step would probably check consumption, and defeat its object. The only resource to which to turn is food.

People, "whether they like it or not, will have to pay these duties sooner or later, not for Mr. Chamberlain, but to meet the necessities of the United Kingdom, since in no other way can the increasing and absolutely necessary calls upon the exchequer be possibly met. There is need of Imperial organization to share a common burden." The Englishman "may contemptuously cast adrift the empire handed down to him, but he cannot get rid of the debt incurred in building it up."

Various methods have been suggested whereby a vastly increased revenue may be provided in the future.

Mr. J. A. Hobson¹ provides a scheme for future taxation by evolving the theory of an unproductive surplus. According to this, in industry, when the costs of subsistence have been paid, there remains a surplus of two kinds; one which operates so as to evoke and feed an increased or an improved supply of productivity, and the other which exercises no such power.² The productive surplus, "coming as a rise of interest, profit or wages, causes a growth in the industrial structure by bringing into productive use more or better capital, labour or ability." The "unproductive surplus includes the whole of the economic rent of land and such payments made to

¹ J. A. Hobson, "The Industrial System: an Inquiry into Earned and Unearned Increment."

² Hobson, "The Industrial System," Preface, p. viii.

capital, ability or labour in the shape of high interests, profits, salaries or wages as do not so tend to evoke a fuller or better productivity of these factors."

This unproductive surplus, or unearned income, is,¹ according to Mr. Hobson, "the only properly taxable body, for any tax which falls upon that income which is either cost of production or productive surplus, encroaches on the fund of maintenance or progress, thus reducing the future efficiency of industry. It is therefore of paramount importance to the State to discover the form and magnitude of the unproductive surplus. For a sound fiscal policy will be directed to secure for the State from this source such public income as it requires for the development of public services." This surplus is, in fact, the sole source of public revenue.

Furthermore, society may take also the productive surplus if society has greater power than the individual factors of production to utilize this surplus for purposes of improved efficiency.²

What are these unearned incomes which are claimed for society by Mr. Hobson? Principally land values proper, which, whether attaching to land in virtue of fertility and other contents or of site, are directly due to social action. . . . The annual yield of these land values thus socially earned is claimed as social income.³

Elsewhere it appears that the annual values of land need not necessarily become public income by means of taxation.⁴ The same end may be achieved by public ownership.

¹ Hobson, "The Industrial System," Preface pp. viii., ix.

² *Ibid.* pp. 222-3. ³ *Ibid.* p. 219.

⁴ Hobson, "Crisis of Liberalism," p. 98.

If this theory of the unproductive surplus, accepted in the Budget of 1909, is to be worked out, the sources of revenue for the future will be ever increasing land taxation and increasing and steeply graduated income tax and estate duties.

Sir R. Giffen proposed a scheme of taxation,¹ diametrically opposed to that suggested in Mr. Hobson's book, "The Industrial System."

Giffen asked the question, Have we the taxes which press as lightly on the taxpayer as possible, and are otherwise levied on sound principles, so that the State may be prepared for a crisis? For Sir Robert was of opinion that "there is a possibility that we may have to fight for our very life, such as has not existed since the great French Wars."

His objections to the income tax and death duties, at the scale which they have now reached, have already been stated. With regard to the land taxes, Giffen pointed out how unimportant they are from the point of view of raising revenue (£500,000). He denied that land can have escaped the burden of taxation; agricultural land pays income tax, and non-agricultural land is burdened by the rates, which chiefly fall on urban property and which have risen in England from £16 millions in 1868 to £58 millions. The annual assessment of lands brought under review for income tax in England was £42,127,000 in 1843, £40,804,000 in 1892-3, and £36,515,000 only in 1906-7. This shows a very large depreciation in the value of agricultural land; while, since 1843, "the capital expenditure on the same land—a quarter to a third of the annual income at least—cannot have been less than about £700 millions—a sum which has practically

¹ *Quarterly Review*, July, 1909.

been sunk without return." Sir Robert urged that agricultural and non-agricultural land is largely owned by the same owners, and therefore the decrement in the value of agricultural land must be considered. He protested moreover against the application to one form of property of the principle of unearned increment, when a large amount of personal property enjoys unearned income.

The method of valuation—the essence of the taxes upon increment value, etc.—is, in Sir Robert's view, unsatisfactory and costly, and is avoided in all easy taxation. The system of valuation by Commissioners will "impose a pecuniary burden on the taxpayer far exceeding in amount the sum which will eventually find its way into the hands of the Government."¹ As against the Government valuers and solicitors, the landlord must have experts of his own.

"The taxpayer himself is also required to make returns, under heavy penalties, as a preliminary to Government valuation, and the expense of such returns will be enormous."²

The proceeds of the land taxes are to be divided between the Imperial Exchequer and the local authorities. "Hence the total yield, already immaterial in the question of serious finance, will, when halved, become a vanishing quantity. The whole plea for the new taxes, that money is badly wanted for Imperial purposes, is destroyed. . . .

"The arrangement would also result in a continuance and extension of that confusion of accounts between the Imperial Government and the local authorities, which is one of the main causes of Imperial extravagance itself."

¹ Giffen, *Quarterly Review*, July, 1909.

² *Ibid.*

Giffen pleaded for a return to the old rules observed in finance, which were (a) a sufficient number of moderate duties, bearing lightly on every taxpayer to form the basis of the financial edifice; (b) moderate income tax and estate duty to supplement the main charges and to be capable of expansion on a sudden emergency, when the taxpayers' blood is up and the emergency is recognized.

* These rules are now neglected. Giffen pointed out that duties on imports, where there are equivalent excises, are not against Free Trade. Also there may well be an import duty, without an equivalent excise duty in a case where the protective effect is slight and a substantial revenue accrues to the Government, enabling it to dispense *pro tanto* with a severe income tax. He recalled that the great men of the Free Trade era were quite tolerant of a 1s. corn duty, sugar duties, tea duties, and others which are now anathematized in the name of Free Trade.

Those who condemn import duties appear to forget that in the Free Trade United Kingdom a larger amount of gross duty is collected per head of the population than in the United States, Germany, or France—15s. per head on an annual average during the years 1905–8, as against 14s. 3d. in the United States, 10s. 9d. in Germany, and 9s. 2d. in France.¹ Practically the whole of the customs duties—99·86 per cent.—are on food, drink and tobacco. They are distributed over very few articles,² tobacco producing £14·7 millions, and wines and spirits £5·2 millions, out of the £33 millions customs duties collected annually during 1905–8. £12 millions out of the remaining £13

¹ Cd. 4954, pp. 90–5.

² *Ibid.* p. 90.

millions are collected on tea and sugar and sugared goods; while the duties on coffee and cocoa account for nearly one-half of the remaining £1 million. To speak of the "free breakfast-table" is therefore simply rhetorical.

Giffen pleaded for the reduction of income tax to a peace level by the reintroduction of widely extended indirect taxation, insisting, however, on a distinction between protective and non-protective import duties. This distinction, he pointed out, is forgotten. "Duties on tea, sugar, corn, etc., are argued against on the wrong ground, as if they were altogether bad, because they fall on the necessities of the poor. The smallness of the advantage which the corn duty gives to the home grower, which made it tolerable to the Free Trade leaders of former times, is ignored. Protective and non-protective duties are alike condemned.

"It is always Free Trade import duties which are productive of revenue and not protective import duties. Out of about £19 millions derived from customs duties in France, about £13 millions or two-thirds are from coffee, mineral oils, sugar, and such-like articles, where there can be no protection or little.

"Similarly, in England, duties, *e.g.* on corn, with a preference to the Colonies, are only likely to be productive if kept at a low rate, so as to yield but small advantage either to the home or the colonial grower. Still more is this the case with tea and timber, where a preference would be almost fatal to the productiveness of the duty, since the articles are mostly imported from the British Possessions." The question arises: Will the home and colonial grower be satisfied with a small advantage? Will

the "small advantage" restore agriculture in England, as the agriculturalists have been led to suppose that Protection, as understood and supported by them, will do ?

With regard to this suggestion, it must, moreover, be remembered that the cost of collecting import duties, whether protective or non-protective, will probably be considerable. It has been estimated, variously at £750,000, £2,000,000, and £4,000,000.¹ Though the last estimate is probably too high, it is a factor which calls for serious consideration.

Giffen observed² in concluding his scheme that both political parties are in error, in the expectation that the financial failure of the present Government makes Tariff Reform more certain. There is "plentiful cause of anxiety for Free Traders in the present condition of things, with the Radical party in power trying one set of financial measures contrary to Free Trade principles, and an Opposition, intent upon carrying another set of financial measures, still more opposed to those principles."

These being the counter proposals put forward we must next examine the incidence of the corn tax.

THE INCIDENCE OF THE CORN TAX AND THE COST OF BREAD.

Should any protective policy be adopted it would undoubtedly include a duty on corn. Apart from the fiscal grounds just discussed, there are two reasons for this: (1) A protective policy is bound up with Colonial preference. The only way in which to grant a preference to the Colonies is to put a duty on food-stuffs and especially on corn.

¹ Cf. Parliamentary Debates, February 24, 1910, p. 385.

² *Quarterly Review*, July, 1909.

(2) The agricultural interest is undoubtedly protective. It would be impossible practically to refuse the demand if once the basis of Protection were recognized. Mr. Chamberlain declared in 1903 that the tax on foreign corn would be a small one, "not exceeding 2s. a quarter," and that Colonial corn would be admitted free. Professor Ashley, however, declares that the nearest approach to an authoritative statement is "2s. or 3s. a quarter, and that from the duty the produce of the Colonies and Dependencies shall be partially or altogether exempted."¹

Mr. R. Jebb² states the Tariff Reform policy as follows: "In their first Budget they would carry out the revision of the food duties, putting 2s. on foreign wheat, with a rebate of *a quarter or a half* in favour of Colonial wheat, in consideration of the preferences already given to us." But, the preference would never be more than one-half, *i.e.* the duty on imported wheat would never be less—even after preference had changed the main source of supply—than 1s. on the whole quantity imported. The reason of retaining this duty is for revenue—it is expected to yield a permanent revenue of £2 millions or more, which would make it possible to reduce the present food taxes, without touching on other sources of revenue. Mr. Jebb thus considers the Tariff Reformer pledged to reduce existing food taxes, according to Mr. Chamberlain's proposal, *i.e.* to transfer taxation from non-competitive (*e.g.* tea and sugar, coffee and cocoa)

¹ Ashley, "Tariff Problem," quoting "Handbook for Speakers," Birmingham Tariff Committee, p. 19. As has been noted before, the most recent official statement is that of Mr. Austen Chamberlain, to the effect that 2s. a quarter is the *maximum* duty proposed by Tariff Reformers, and that Colonial wheat will be free (Letter, *Times*, November 22, 1910). Cf. p. 56, *supra*.

² Jebb, *Morning Post*, March 26, 1910.

to competitive (corn, meat, butter, and cheese) classes of imported foods. This would be difficult to carry out, from a revenue point of view, without the duty on Colonial food-stuffs.

According to Mr. Jebb, the agriculturalists will benefit, even if no rise in price results from the preference, by a reduction of costs incurred, among which taxes are included; for "every farmer stands to gain something by any transfer of taxes from tea, sugar, and other articles of a kind that he does not grow but has to buy, to those imports, such as corn, meat, butter, cheese, which compete with his own produce in the home market."

From this statement it appears that the Colonial agriculturalists must expect only partial and not complete exemption from the corn duty proposed by Protectionists. On the other hand, Protectionists do not seem to be unmindful of Mr. Chamberlain's promise to reduce the existing duties on tea, sugar, coffee, and cocoa, as they are so frequently accused of being.

It is, however, promised that beyond this 2s. or 3s. a quarter the duty shall not rise. It may be pointed out from the experience of other countries (*e.g.* France and Germany) how difficult it is to prevent the increase of any import duty when it has once been introduced. With the aid of the duty, interests grow up which subsequently appear to have a vested right not only to the maintenance of the duty but to an increased assistance. The interest may even grow so strong that it may force an increased duty on the Central Government.

This has been the experience of Germany. Wheat was admitted free in the years preceding and following the Treaty of Frankfurt (from 1865

to 1878). In 1879, a duty of 2s. 2d. was imposed. This duty has since been increased to 6s. 6½d. and 7s. 7½d. and in 1906 to 11s. 10d.¹ The great increase was brought about by the combined action of the two extraordinarily powerful agrarian organizations: ² (1) the Verein der Steuer und Wirtschaftsreformer, formed chiefly of members of the upper and middle classes: and (2) the Farmers' League (Bund der Landwirte), consisting mainly of the peasant or yeoman class. By uniting, these two organizations carried the new tariff against the opinion, not only of the Social Democrats, but also of the moderate protectionist party, which favoured an approximation to the less extreme Government proposals rejected by the agrarian party.

The interest of the consumer militates against the increase of any duty which raises prices, but the consumers as such are generally powerless to exert any influence, in spite of the fact that they form the majority of the population, owing to their lack of organization. If any proof of this were needed, it is to be found in the proceedings in America at the time of the revision of the United States Tariff, in 1908-9.³

There is, however, a reason which makes it unlikely that the duty on corn will be increased to a rate at all comparable to that existing in any foreign country. In the first place, the rural population forms a much smaller proportion in the United Kingdom than in any of the foreign countries with which it is sought to make comparison. Further, abroad the agrarians exercised a power, not only

¹ Cd. 4954, p. 206.

² Lang, "Hundert Jahre Zollpolitik," pp. 358-9.

³ Cf. *Edinburgh Review*, October, 1909.

through organizations but also through representatives in the central legislative body. In the United Kingdom, not only have the industries organizations both of employers and workers capable of exercising a vast amount of pressure, while the agriculturalists have, up till the present time, practically no organization at all, but in the House of Commons the manufacturing constituencies have an immense majority over the purely agricultural constituencies.¹ We may, however, anticipate increased power on the side of the agriculturalists, from the development of co-operation among the small holders, which will probably be much extended in the future. The interest of the manufacturer consists in keeping down the cost of living as one of the items in his cost of production. It is, however, perhaps possible that the manufacturer might be willing to endure an increased cost if, at the same time, he foresaw increased profit in a policy of protection. That is to say, if the manufacturers of the United Kingdom were convinced that a protective policy could benefit them, they might ally themselves with the agriculturalists, each party agreeing to support the protective policy of the other. This occurred in Germany at the beginning of the protectionist period.

It must, however, be remembered that there is behind the manufacturers of the United Kingdom a long tradition of hostility to the aims of the agriculturalists. The manufacturers brought about the repeal of the Corn Laws, and it seems as if much water must run under the bridge before we see them uniting with their opponents to further the re-establishment of a system bearing any

¹ Cf. Deakin, Colonial Conference (1907) Minutes, p. 379.

resemblance to that which it was so much their interest to destroy.

Nor must we forget that outside the manufacturing classes of employers and employed there are a vast number of wage-earners whose views would be hostile to the agriculturalists. These are those engaged in the transport trade, who would derive no profit, but whose wages would purchase less. Then all the municipal and postal and other State employés, not to mention the lower classes of clerical labour, all of whom would have to bear an increased burden without any corresponding advantage; and these classes, taken together, constitute a formidable political power.

It may then be granted that it will be found far more difficult to increase the duty on wheat in the United Kingdom than it was in foreign countries; If then the duty remains at 2s. to 3s., what would be the probable effect on the price of bread?

We are dependent for 78 per cent. of our food-stuffs (*i.e.* wheat) on over-seas supplies. Germany depends for about 30 per cent. on foreign countries; France only for 2 per cent.¹ Lord Goschen's opinion as to the effect of the duty was that "a small tax you cannot always trace in the rise and fall of the article itself, because simultaneously with the effect of the tax there are a number of other economic causes at work." This seems to be borne out by experience.

During the year 1879 there was a duty of 2s. 2d. on the import of wheat into Germany.² Yet the price of wheat was, on an average, 41s. 11d. a quarter, or considerably less than the average of the six previous years, when corn was admitted free. During

¹ Goschen, October 16, 1903. Gilmour, "Fiscal Controversy," p. 133.

² Cd. 4954, p. 206.

the six years, 1879–84, wheat prices varied considerably in Germany, the duty remaining 2*s.* 2*d.* a quarter. They also varied in the United Kingdom, where the import of wheat was free from duty. During these six years, in three years the price of wheat was higher in Germany than in the United Kingdom; in three years it was lower.¹

	Average price in Germany.	Gazette average United Kingdom.	Germany above United Kingdom.	Below United Kingdom.
	<i>s.</i> <i>d.</i>	<i>s.</i> <i>d.</i>	<i>s.</i> <i>d.</i>	<i>s.</i> <i>d.</i>
1879	41 11	43 10	—	1 11
1880	46 10	44 4	2 6	—
1881	47 1	45 4	1 9	—
1882	44 7	45 1	—	0 6
1883	39 7	41 7	—	2 0
1884 ³	37 0	35 8	1 4	—

It appears then that the prices of wheat vary to as great an extent when there is no duty as when there is a small one. The tax, in fact, cannot be traced.

But to quote Lord Goschen again ² “a 2*s.* tax, even if it does not raise the price of wheat by 2*s.* at once, and of bread in proportion, at all events enters into a conspiracy when there are any tendencies to promote a rise, and assists that rise to come about earlier than it would otherwise do.”

With regard to the question as to the classes

¹ Cd. 4954, p. 206.

² Gilmour, “Fiscal Controversy, pp. 134–5.

³ It is noteworthy that Mr. Lloyd-George, then President of the Board of Trade, in evidence before the Colonial Conference, 1907 (Minutes, p. 377), after pointing out the manner in which Germany had successively increased her duty, proceeding to indicate the difference in price in Germany and in the United Kingdom caused even by a small duty, made the following statement: “Take the last year when the duty was only about 2*s.*, and in that year I find the price of wheat in Germany was in excess of that in the United Kingdom by 2*s.*, the duty being 2*s.* 2*d.*” 1884 is the year indicated. In 1885 the duty was raised in Germany to 6*s.* 6½*d.* It will be seen that Mr. Lloyd-George’s statement is not borne out by the Official Board of Trade Report. The price of wheat in Germany was not as much in excess of the price in the United Kingdom as he states, nor will the figures of the years 1879 to 1885 bear out his general statement.

upon whom the burden of import duties falls, there exists a divergence of opinion. As Sir Robert Giffen has said, our information with regard to the incidence of taxation is very imperfect. In the opinion of the Free Trader, the burden must invariably fall entirely on the importing consumer. But it has been held, on the other hand, that the producer may, in certain cases, find it to his interest to bear a part of the duty himself. If the importing country constitutes either his sole market or such an important market that the producer finds it difficult or impossible to extend his sales to other countries, he will surely, in order to avoid a great falling off in the demand from his principal markets, consent to a slight diminution of profit by paying the import duty.

This seems to be the relationship in which the United Kingdom stands to the countries from which it draws its wheat supplies. The chief sources outside the Empire are the United States, the Argentine, and, to a far smaller extent, Russia and Roumania.

The United Kingdom is, beyond comparison, the most important customer of the United States. Sir Charles Kennedy¹ quotes Mr. Hill, the President of the American North Pacific Railway to this effect: Addressing the Minnesota Agricultural Society early in 1904, he said: "A tax of 10 per cent. on the 180 million bushels you send to England means 18 million dollars, and you may make up your minds here you have got to pay that 18 million dollars or lose the market. You will pay the tax, or you will hold the wheat, or you will need a new market." That is to say, continues Kennedy, "the 2s. duty will be defrayed between the American producer, carrier and merchant, and the whole

¹ Sir Charles Kennedy, *Society of Arts Journal*, 1905, March.

North American supply which Hill holds, and which is controlled by the Manitoba crop, would be placed on the London market as it is at present."

Further, it seems that even if some portion of Russian corn is diverted to Germany, as it has been since the treaty of 1906, the Argentine and Roumania, being dependent on the London market, will send their supplies to the United Kingdom as heretofore.

Professor Ashley,¹ calculating the probable effect of the duty proposed, with a preference to Colonial corn, declares that it is probably not an excessively sanguine conjecture that a duty of 2s. 6d. per quarter would send up the price at most by 1s. 6d. Proceeding from that to calculate the price of bread, he comes to substantially the same conclusion as that of Lord Goschen quoted above. He remarks that actually bread prices move by $\frac{1}{2}$ d. per quartern (4 lbs.).² He comments upon the artificiality of the returns which indicate the "mean price per 4 lbs." From the available figures it appears that the price of bread does not vary with the price of wheat. That no constant relation can be established between the price of wheat and the price of bread may be seen from the following figures taken from the Blue Book Cd. 4954, pp. 192 and 206 :—

	Gazette average price of wheat (per quarter).		Mean price of bread (London) (per 4 lbs.)		Gazette average price of wheat (per quarter).		Mean price of bread (London) (per 4 lbs.)
	s.	d.	d.		s.	d.	d.
1899	25	8	5·1	1904	28	4	5·5
1900	26	11	5·2	1905	29	8	5·5
1901	26	9	5·0	1906	28	3	5·5
1902	28	1	5·3	1907	30	7	5·4
1903	26	9	5·6	1908	32	0	5·75

Note.—How artificial the figures given for the mean price per 4 lbs. of bread are, may be seen from the following. Professor Ashley (p. 178) takes

¹ Ashley, "Tariff Problem," p. 177.

² *Ibid.* p. 179.

his figures from the Board of Trade volume on "Wholesale and Retail Prices," issued in 1903. The figures for London are based on returns from the Battersea and Greenwich Co-operative Societies. In the Board of Trade Blue Book (Cd. 4954), the mean price given is based on the prices given in the *Baker's Record* (Cf. p. 192). The figures are as follows :—

AVERAGE PRICE OF 4 LBS.

	Ashley, "Tariff Problem," p. 179 (i.e. Blue Book, 1903).	Blue Book, Cd. 4954, 1909, p. 192.
	<i>d.</i>	<i>d.</i>
1898	5·6	6·0
1899	4·8	5·1
1900	4·8	5·2
1901	4·9	5·0
1902	5·0	5·3

Such variations occur in official estimates, for London alone. And it must be remembered that in Edinburgh, and in Dublin, and probably in every town in the United Kingdom, there are fluctuations in the price of bread irrespective of those in London.

The real question is whether the duty will bring up the price of wheat, supposing it to be rising from other causes, to a point at which the millers and bakers will demand and obtain higher flour and bread prices.

Examining the customs of Bakers Associations, Professor Ashley arrives at the following conclusion :¹ "A 2s. 6d. duty would at most mean an increase of 1s. 6d. on the price of the quarter of wheat. . . . Such a rise will, as a rule, not affect the price of bread at all . . . it will at most occasionally hasten a $\frac{1}{2}$ d. rise or retard a $\frac{1}{2}$ d. fall on the quartern loaf."

It is just this hastening a rise or retarding a fall which may do incalculable harm.

Those affected will be the poorest of the workers, those on the fringe, as Ashley admits. Bread is their great staple of diet in increasing measure as

¹ Ashley, "Tariff Problem," p. 180.

their supply of other goods dwindles. A rise in its price will fall very heavily on them.

In times of scarcity or in war, the rise will probably be attributed entirely to the duty. It will cause an outcry in the first place against the landowner, to whom the tax on corn is in fact a free gift, and who will be said to be drawing profit from the misery of a hungry populace. In the second place, an outcry will be raised against the Colonies, for whose benefit the corn tax was originally proposed. The working men in the United Kingdom will find their interest opposed to the interest of the Colonists as avowed by the Protectionists, and, as a result, will conceive an antipathy to the whole Imperial idea.

Moreover, the effect of a duty on corn does not end with a possible increase in the price of bread. The harmful results may spread out in an ever-widening circle. There is always a tendency to increase the tax. If bread is dearer, the real wages of the worker are lowered. Home industry is damaged, for he has less money with which to purchase other goods and clothing, and a decrease in the quantities purchased will in its turn lessen employment. There will also be less capital formed by saving. The food taxes press more heavily on the lower classes. The workers are less able to work from want of sufficient food. The cost of bread perceptibly affects the question of child mortality. Moreover there is a tendency to make up for the want of good food by alcohol.

According to the Report of the Committee on Physical Deterioration,¹ "People who have not enough food turn to drink to satisfy their cravings,

¹ Cf. "Report on Physical Deterioration," 1904, vol. i., p. 30.

and also to support their enfeebled hearts by alcohol. The poor often drink to get the effects of a good meal. They mistake the feeling of stimulation after alcohol for the feeling of nutrition.”

On the other hand, the effect of a slight rise in the price of bread, as a result of a corn duty, on the working-man's family, is, of course, lessened, if his children are fed by the school authorities, and the necessity for saving is obviated by the granting of non-contributory Old Age Pensions.

Although money wages may gradually rise as the price of corn rises, experience shows that they do not increase *pari passu*, so that the real wages are actually lower. With regard to trade, an increase in the price of food would do harm to the export trade by increasing the cost of production. It also opens a vista of disputes as to wages. It appears to limit and destroy capital.

There seems little doubt that the tax, if it raised the price of food, would promote class hatred. For it would be a burden which would fall most heavily on the poor for the benefit of the rich.

Finally, as has been stated before, though, as Mr. Balfour said, it is beyond his power to promise that there shall be no rise in the price of food, yet in the field in which government action is operative, he has promised that no action shall be taken to cause such a rise. He is, in fact, pledged to remove the duty should the price of bread rise as a result of its imposition.

UNEMPLOYMENT.

The problem of unemployment has been described as the problem of the adjustment of the supply of

labour. According to some authorities, the existence of a large body of unemployed indicates that the supply has permanently outrun the demand for labour: but there is much evidence that this is not the case. If it were, the law of "diminishing returns" would have come into force with regard to labour itself. But we see during the last forty years that the national income has vastly increased from £27 per head of the population in 1867 to £40 per head in 1901.¹

In the principal industries, the production of coal per head, the consumption of raw cotton per head, and the tonnage of shipbuilding have enormously increased since the fifties, while the production of iron, and the consumption of raw wool per head have increased only in a less degree.² But it might be urged that this vast increase of production is due to machinery, which supersedes men's labour. That this is not the case is shown by the increase in the rate of wages in the principal trades,³ in building most of all, in coal mining, engineering, the textile industries⁴ and agriculture. Building and coal mining, which reveal relatively the largest rises of money wages, are also those which between 1881 and 1901 show the largest increase in the number employed. The rise of wages in the principal industries between 1881 and 1901 may be put at 16 per cent.; the actual volume of wages paid in these industries, taking account of the greater growth of the best paid ones, has increased by 29 per cent., or nearly twice as much;⁵ though in saying this we must not leave out of sight that

¹ W. H. Beveridge, "Unemployment: A Problem of Industry," p. 4.

² *Ibid.* p. 7.

³ *Ibid.* p. 9.

⁴ Cf. Cd. 4954, pp. 212-3.

⁵ Bowley, "National Progress in Wealth and Trade."

latterly things have not been going quite as well, and that 1908 was a phenomenally bad year.

A rise of wages occurs also in agriculture ¹ where there has been practically no collective action on the part of the wage earners, for the Joseph Arch movement had but a transitory effect.

The conclusion then is that if labour generally had become a drug on the market the return to labour would be diminishing. As a matter of fact, the return is increasing.² Yet 56,000 members of the highly skilled and organized trades were returned as unemployed in September, 1908, which was the worst year for nearly a quarter of a century.

The question we have to answer is: Does a policy of free imports tend to increase unemployment? Have foreign countries, by protective policies, succeeded in mitigating this evil?

The Protectionist argument is that many articles now imported into the United Kingdom will under Protection be made at home, and thus labour will be employed where formerly it was not. The Free Trade reply is that imports mean demand for exports, and that by checking imports the demand for exports is checked. Moreover, the price of articles produced at home under protection will be, from the nature of the case, higher than the price of the same article when formerly imported. A rise in price normally checks demand, and lessened demand means lessened employment.³ The Tariff Reformers would rejoin with Lord Milner that their object, and the result of their action, will be not to check imports but to change their nature, but Tariff Reformers do not specify what trades are to

¹ Cd. 4954, p. 213.

² Beveridge, "Unemployment," pp. 11, 12.

³ Robertson, "Trade and Tariffs," p. 243.

be promoted, so their case cannot be more closely examined on this point.

Both the Tariff Reform and the Free Trade arguments assume that a rising demand for labour is a cure for unemployment. But it is pointed out that this is not the case. From the beginning to the end of fifty years of unprecedented industrial expansion unemployment has been recorded continuously.¹

Mr. Beveridge states that "the paradox has to be faced—that the creation or provision of work is the one thing that is no remedy for unemployment. Unemployment depends not so much on the volume of industry as upon the methods of industry, and while the methods remain unchanged will continue and recur however the volume grows."

If this be admitted, it is a conclusive answer to the anticipation of the Tariff Reformer, that Protection, by increasing the demand for labour, would lessen unemployment.

How does Protectionist Germany compare with the United Kingdom, where a system of free imports obtains, with regard to unemployment? It must be said that no accurate comparison can be instituted from the statistical evidence available. The official figures for the United Kingdom are those of the Board of Trade, based on the return of the trade unions. Inconclusive as they in some respects are—and it must be remembered that trade union records refer only to skilled workmen—there exist no similarly extensive statistics in any other country comparable with them.² Further, even within Germany, the

¹ Beveridge, "Unemployment," p. 15.

² *Statistical Journal*, January, 1910.

methods used for effecting a census of unemployment varied in different districts and seem to be unreliable.¹

Consul-General Oppenheimer² relates how the trade unions of Berlin, dissatisfied with the official census of unemployment, decided to arrange for a census of their own, assisted by the social-democratic political organization. It resulted, on February 13, 1909, in a return of about 100,000 unemployed for Berlin and forty-one suburbs; while the official return, effected on February 16, on a different system, returned a total of only 24,000 unemployed.

But if we cannot actually compare the figures of unemployment with any accuracy, we can at least be sure that unemployment is a very constant phenomenon in Germany. For this the Consular Reports are evidence.³ Also it would seem as if periods of unemployment came upon the United Kingdom and Germany practically simultaneously. Thus the index number of employment in all trade unions making returns in the United Kingdom was, in 1906, 98·7; in 1907, 98·5; and in 1908, 93·6⁴—a progressive decline in employment.

In Germany, the number of applicants per 100 vacant situations, was higher in 1907 than in 1906, and enormously higher in 1908 than in 1907.⁵

Further, if less is heard of the unemployed in Germany than elsewhere, “it must not be forgotten that Germany is a highly-policed country, that the sanction for processions and mass meetings is not

¹ Consular Report, 1909, Frankfurt-on-Main.

² *Ibid.* pp. 56-7.

³ Oppenheimer, Frankfurt-on-Main.

⁴ Cd. 4954, p. 223.

⁵ Oppenheimer, Consular Report, 1909, August, p. 53.

easily obtained when the demonstrations are likely to feed the social-democratic propaganda.”¹

The most decisive proof of the failure of Protection to secure steadiness in industry is afforded by the United States. Fawcett showed that the depression which fell on the United Kingdom in 1878 had fallen far more heavily on the United States.² Similarly in 1884, Lord Farrer, quoting a competent witness (W. B. Forwood, of Liverpool), showed that the condition of industry in the United States was terrible.³ In 1893-5 again, there occurred a collapse, “three years of dreadful experience,” in the words of President McKinley.⁴ Again take 1907; the New York Labour Bulletin shows⁵ that in New York 34·2 per cent. of the members of 92 labour organizations were out of work at the end of December, 1907, as compared with 17·8 per cent., 6·7 per cent., and 12·8 per cent. in the three previous years. Above all, extensive unemployment is a normal phenomenon in the United States. The United States Census for 1900 (p. ccxxvi.) shows that there were unemployed, at some time during the year, 22·3 per cent. of all workers over 10 years of age, and that of the male workers unemployed no fewer than 39 per cent. were idle from four to six months of the year. In manufactures alone the unemployment affected 27·2 per cent. of all the workers. It seems obvious then that whatever the causes of unemployment may be, they may not be combated simply by a policy of Protection. The most highly protective State seems worse off in this respect even than non-protective Britain.

¹ Oppenheimer, Consular Report, 1909, p. 56.

² Robertson, “Trade and Tariffs,” p. 180.

³ *Ibid.* p. 181.

⁴ *Ibid.* p. 182.

⁵ *Ibid.* p. 183.

What are the causes of unemployment? Mr. Beveridge analyses them¹ as follows:—(1) While trade as a whole grows, specific trades may decay or change their methods of organization. Men who have learnt to live by those trades, find that they are no longer in demand, when they are perhaps too old to learn a new trade. (2) Actual fluctuation in industrial activity: (a) Seasonal vicissitudes of special trades, *e.g.* builders are slack in winter, printers in August. (b) Cyclical fluctuations, in which periods of general depression alternate at regular intervals with periods of feverish activity. (3) The requirement in each trade of reserves of labour to meet the fluctuations of work, incidental even to years of prosperity. The men forming these reserves are constantly passing into and out of employment. They tend moreover to be always more in number than can find employment at any one time. This tendency springs directly from one of the fundamental facts of industry, the dissipation of the demand for labour in each trade between many separate employers and centres of employment.

With regard to the second heading above mentioned, fluctuations as a cause of unemployment, it seems evident that a policy of free imports cannot affect either seasonal or cyclical fluctuations, *e.g.* the slackening of the building industry in the winter is due to weather conditions. As to cyclical fluctuations they seem to be natural to trade in all countries. 1868, 1879, 1885–6, 1893–5, 1904, and 1908 were periods of depression in the United Kingdom, while 1872–4, 1882, 1889–90, 1899–1900, alternating with these years, were periods of good employment. It

¹ Beveridge, "Unemployment," pp. 12–3.

has already been said that during the periods of depression, the United States were harder hit even than the United Kingdom. Germany shared the depression in 1903-4, and again the general slackness of 1908.

It appears, then, that what is required is some system by which the intervals of depression may be tided over—in fact, a system of insurance.

With regard to seasonal fluctuations, the problem is really one, partly, of the rate of wages. As the wages received during busy times must be saved to cover slack times, “the rate of wages should be reckoned not as the amount received when trade is most active, but as the average amount spread over one year.” If the wage were not sufficient to tide over slack times, “the industry could not be considered self-supporting; it would be a case of sweating, requiring to be promptly taken in hand by the trade unions.” It is suggested that men belonging to trades subject to seasonal fluctuations should learn a second trade. It seems improbable that they could acquire efficiency in both.¹

With regard to *cyclical fluctuations*, industry, as Mr. Beveridge puts it, “pulsates with an alternate diastole and systole.”

The working-man can, through the agency of the trade union, put by for periods of depression. The premium payable for unemployed benefit “on a fairly liberal scale, and in some of the most fluctuating industries,” amounts to from $2\frac{1}{2}d.$ to $7d.$ a week per member.² This is generally within the means of workers in skilled trades. The labourers at large are not organized in trade unions, and there seems

¹ *Edinburgh Review*, January, 1910, “Industry and Employment.”

² *Edinburgh Review*, January, 1910, p. 22.

to be room for associations to act as insurance agencies for unorganized labourers. These agencies would be subsidized by the State. It might be necessary also to subsidize the benefit departments of trade unions, according to the Ghent system of insurance, by which the effect of the subsidy is to increase the amount of benefit that a premium will secure. It is a subsidy to thrift. The German system is based on compulsory insurance. As yet we do not know what form the proposed Government Bill will take.

The third class of unemployment includes the problem of the casual worker, who exists in times of prosperity as well as in times of bad trade. This problem can only be dealt with by organization. Here one might expect that Germany would find some alleviation of unemployment, not in her fiscal system, but in the superiority of her organization. Sir Francis Oppenheimer tells us that in January, 1908, there existed in Prussia alone 222 labour exchanges, of which 140 were purely municipal. Similar exchanges or bureaux exist in Mid-Germany (the Mid-German Union of Labour Registries) and in the South, in Bavaria and Württemberg. Mr. Beveridge is of opinion that in spite of the fact that many municipal bureaux are moribund, there are about 150 public labour exchanges which may be regarded as alive; there is one in practically every community of 50,000 inhabitants and in very many smaller ones. It is by working along these lines rather than by any change of fiscal policy that we may hope to diminish unemployment.

It seems to be the case that the increase in pauperism is urban and is found chiefly among the adult population of London. That the increase in

unemployment is in part due to the unfortunate working of the Workmen's Compensation Act, there is no room to doubt. The Act appears to require wide modifications.¹

Mr. Beveridge further points out that by far the greater number of the unemployed are casual labourers, getting two or three days' work a week. Their trouble is not unemployment but under-employment. An instance is taken from the London Docks, where the amount of work to be done varies from day to day according as the ships happen to come in or go out.² Men are taken on at the wharf gates as they are required and dismissed as soon as the job for which they were engaged is finished. In that way, there tends to collect at the gate of each wharf the maximum number of men ever employed at the wharf. There are many days when this maximum is not required, and on these there is necessarily unemployment. Each wharf in London tends to assemble its own reserve of workers ; and as all the wharves will not be at their busiest at the same time, there is, at the very best, a small percentage of unemployed on any particular day which can never be reduced.

" It is not a case of the chronic idleness of a few but of the under-employment of many." This difficulty it is proposed to meet by the creation of labour exchanges. If, *e.g.*, the various wharves were in communication with a central exchange from which they obtained their labour, " the reserve of men necessary to cope with any contingency would be considerably lower than if each wharf maintained its own separate reserve. From a labour exchange

¹ Cf. Pamphlet by Dr. Collie, Medical Examiner to the London County Council.

² *Edinburgh Review*, January, 1910, p. 23.

the men could be drafted off at a moment's notice to any spot where they were wanted, which would increase their regularity of employment. . . . At the same time the establishment of the system of exchanges would undoubtedly, for a short time, throw a certain number of men out of employment."¹

The problem of casual employment, and hence of unemployment in general, is intimately connected with the question of the employment of girls and boys during adolescence in blind-alley employments.² "The mass of unemployment," says the Minority Report of the Poor Law Commission, "is continually being recruited by a stream of young men from industries which rely on unskilled boy labour and turn it adrift at manhood, without any general or special industrial education." Thus the boy, at the very time when he begins to need a man's subsistence, is thrown out on to the unskilled labour market with little hope of entering a skilled trade. This kind of boy easily degenerates into an unemployable. The Census of 1901 showed that employment of this kind is very much on the increase. The figures showed an increase of 120 per cent. on the figures of 1881, of the number of boys and girls engaged as messengers, porters, and the like. Such figures seem to show that much could be done by an improved system of education to remedy this state of affairs.³

The problem of unemployment is closely bound up, on the one hand, with the continual migration of the rural population to the towns, and on the

¹ *Edinburgh Review*, pp. 23-4.

² M. E. Sadler, *Times*, January 6, 1910.

³ Rev. Gage Gardiner, "Education and Unemployment," *Times*, 1910; "Youth and Education."

other hand with the tendency of town populations to progressive deterioration. There is no doubt that the country-bred men oust the town-bred men from the better employments, because they are worth more to their employers. Mr. Charles Booth has shown ¹ that at least 59 per cent. of the carpenters, bricklayers, carriage-builders, engineers, and smiths employed in London are country born. The inquiries made by the Technical Education Board showed that there is only one industry in which the Londoner holds his own, and that is "the proud industry of the dock labourer." In this, not less than 70 per cent. of the workers are London-bred. The applicants to the Metropolitan Distress Committees, the inmates of the Salvation Army and Church Homes, and the larger common lodging-houses—that is to say, the large army of the casually employed—are London-born, at any rate to the extent of 86 per cent. to 90 per cent. How is this to be remedied? It is not only in the trades in which physical strength is all important that the country-bred men triumph. It is in trades such as engineering—one of the most highly skilled of all trades. Physically, intellectually, and morally, our town population must be reformed—we must seek to build up the qualities of pluck, resourcefulness, and grit, without which the worker is helpless in whatever calling he follows.

Lastly, with regard to the question of the decay of specific trades as a cause of unemployment. The Protectionist would urge that this decay has, in many cases of late, been brought about by the action of foreign trusts and cartels who undersell. But we find that unemployment is not now, generally

¹ Rev. T. Gage Gardiner, *Times*, 1910.

speaking, greater than it was before the competition of foreign organizations started. Thus, if we take the index numbers of employment, based on information relating to all trade unions making returns in any of the years from 1860, we find (taking 1900 = 100·0) the following result:—

INDEX OF EMPLOYMENT.¹

1860-4	..	..	98·7	1885-9	..	..	96·0
1865-9	..	..	97·7	1890-4	..	..	97·0
1870-4	..	..	100·6	1895-9	..	..	98·8
1875-9	..	..	96·9	1900-4	..	..	98·1
1880-4	..	..	98·2	1905-8 (4 years)	..	..	96·9

It will therefore be seen that the index of employment in 1895-9 was higher than in any similar quinquennial period since 1860, except 1870-4. Yet in the period 1895-9, and in the period 1900-4, the net imports into the United Kingdom were in greater excess over the exports from the United Kingdom than ever before or since.²

	Net imports.	Exports.	Excess.
	£	£	£
1890-4	357,000,000	234,000,000	123,000,000
1895-9	393,000,000	238,000,000	155,000,000
1900-4	466,000,000	283,000,000	183,000,000
1905-8	519,000,000	368,000,000	151,000,000

Also during the years 1895-9 (the period of greatest employment, according to the index numbers, with the exception of 1870-4) the proportion of imports of manufactures to the total imports rose from 21 per cent. in 1890-4 to 23·9 per cent. Further the proportion of manufactured exports to the total exports fell from 85 per cent. in 1890-4 to

¹ Worked out from Cd. 4954, p. 223.

² Cd. 4954, p. 19.

83·9 per cent. ; while the actual value of all exports per head declined. During the period 1900 to 1904 the proportion of manufactured imports to the total rose again to 24·2 per cent., while the proportion of manufactured exports fell to 79·4 per cent. Surely in this period of excessive imports, the imports being more largely manufactures than before, while we ourselves were exporting proportionally less manufactures out of our total exports than before, the Protectionist would expect an increase of unemployment. Yet the index of employment is higher in this period of ten years than in any since 1860, excluding the extraordinary period 1870-4.

The trade union returns refer, of course, only to skilled trades. With regard to unskilled trades, the only statistical evidence which exists at present is to be found in the returns of pauperism. This is, admittedly a rough test. We cannot estimate actually the degree of unemployment. Still, the ratio of paupers to the population has decreased considerably since 1860.¹ Thus general evidence does not go to show that the policy of free imports has served to increase unemployment.

Nor does it appear that the creation of new industries affects the question to any extent. For this has been proceeding during the last fifty years without effecting any appreciable change. There remains to be considered the effect of commercial raids from abroad. Do they or the threat of them, by crippling resourcefulness and temporarily making the manufacturers reluctant to produce, render the workers insecure and thus tend to increase unemployment? But with regard to these so-called "raids," there is practically no information of a

¹ Cd. 4954, pp. 226-33.

reliable or instructive nature, notwithstanding the loud complaints so frequently heard from individual commercial men.

Finally, it may well be asked how Protection would relieve the building trades, which, taken altogether, offer such a wide field of employment, and of all industries seem to suffer most severely from periodic unemployment. As has been said before, Protection cannot check the vagaries of the British climate, which are responsible for the periods of slackness in the great "out-door" industries.

EMIGRATION.

Much has been made of the figures of emigration, as a test of the relative conditions of labour in different countries. An attempt is made to show that the emigration rate is higher in the United Kingdom than in Germany. Thence it is argued that the labouring population is better off in Germany than in England; and this supposed superiority of condition is ascribed to Germany's protective policy.

But, in the first place, very little information that is of real value is to be drawn simply from a consideration of emigration statistics. Robertson¹ points out that there is little emigration from Russia, where the condition of the people is probably worse than in any country in Europe; ² while the rate of emigration from Denmark, one of the most prosperous European countries, is increasing. Britain, with Free Trade, and Holland, with practical Free Trade, have rather high emigration rates. Norway, Sweden,

¹ Robertson, "Trade and Tariffs," pp. 174, *et seq.*

² In this observation no account is taken of the great movement of population from Russia to Siberia.

Spain, and Portugal have rather high rates with Protection; Italy, with Protection, has an enormously high rate; Germany and Russia alike have low rates with Protection. Obviously other factors than fiscal policy have much to do with emigration. Moreover, with regard to Germany, the statistics are vitiated for purposes of comparison by the fact that they record only oversea emigration. "At present considerably over half a million Germans in Europe are officially reckoned as 'belonging' to Germany, though residing abroad, apart from another hundred thousand of whom the majority are in Britain."

Robertson further brings out some points¹ with regard to Germany which may well be considered.

(1) The emigration rate has fluctuated in Germany during the Protectionist period. Immediately after the return to Protection in 1879, the emigration rate rose enormously, being three times as high in 1880 as in 1879, and in 1881 double the rate in 1880. Since then it has fluctuated. Moreover, it is noteworthy that the German figures of emigration for 1903-6 are lower than the record of German immigrants in the United States alone for those years.

(2) The German land system, apart from Protection, tends to keep a maximum number of people on the soil.

(3) Labour in the German coal and iron mines provides a vastly extended field of employment since 1880, when the Thomas-Gilchrist discovery led to the opening up of the iron fields. These mines, however, employ masses of men for long hours, and at low wages.

¹ Robertson, "Trade and Tariffs," pp. 175, *et seq.*

(4) The United States, which used to be the chief resort of German emigrants, have gradually become a more difficult country in which to gain a livelihood. They thus offer less temptation to emigrate.

(5) A duty on grain and meat imports does tend, at present, to keep a certain number on the land in Germany who might otherwise leave it. In Robertson's opinion, however, it would not be so in England, and was not so in the days of the Corn Laws. The existence of a peasant proprietary makes the difference. But, it may be urged, that the re-creation of a peasant proprietary in England does not offer insuperable difficulties.

(6) Workmen in Germany have learnt to combine for political and other purposes, and are as a result willing to stay at home, even under hard conditions, looking forward to the dawn of better times.

That emigration is not regarded hopefully even in times of distress is evident from the fact that though 1908 was a time of very grave industrial depression in Germany, the number of emigrants was the smallest on record, at least as far as German ports are concerned.¹ Finally, Great Britain's high emigration rate is accounted for, in part at least, as Robertson very pertinently observes,² by the fact that the people of Britain have certainly been an emigrating race for centuries; and the simple desire for travel, added to by the attractions of so many lands of English speech, is a great factor. Little can be argued from the emigration rate as

¹ Cf. Oppenheimer, Consular Report, Frankfurt-on-Main, 1909, p. 70.

² Robertson, "Trade and Tariffs," p. 187.

to the general condition of the population. Furthermore, if any conclusion as to this general condition could be arrived at, why should it, without further and sufficient evidence, be ascribed to the fiscal policy of the country ?

THE DEVELOPMENT OF TRUSTS.

Tariff Reformers declare, probably with some reason, that far too little attention has been given in the United Kingdom to the vast development of trusts, cartels, and similar organizations abroad. They assert that the arrested development of British industry relatively to our competitors is due in a far less degree to faults of character, to an inherent conservatism of method, to defective technical education, than to neglect of the methods by which these organizations have advanced their trade. They maintain that Free Trade is the obstacle to the establishment of trusts, and that England needs industrial duties as a permanent basis in order to remodel the State and thus give new life to industry.

It does indeed seem certain that the trust organizations have come to stay. We have therefore to inquire what are the advantages that they have conferred on modern industrial nations, whether the conditions of the United Kingdom are such that they could successfully be introduced, and whether if adopted they would really serve to benefit the best interests of the country.

Already, in spite of the existence of Free Trade, some monopolist organizations have come into being in the United Kingdom. Curiously enough, the most powerful of them are those dominating the cotton industry, the greatest Free Trade industry of the United Kingdom. Among them are the Calico

Printers' Association, founded in 1899, which produces 85 per cent. of the whole British calico productions ;¹ and the English Sewing Cotton Company, founded in 1897, which has acquired a practical monopoly and exercises a considerable influence on prices.² There are also the Fine Cotton Spinners' and Doublers' Association (1898) ; and similar in character, but less powerful in action, the Bradford Dyers' Association, the Cotton and Wool Dyers' Association, and the Bleachers' Association.³

The other industries which are organized somewhat on the trust system⁴ are (1) the iron and steel industry, *e.g.* the Scotch Steel Makers' Association, the National Galvanized Steel Makers' Association, the South Wales Siemens Steel Bar Association ; (2) the Portland Cement trade ;⁵ (3) the Cable Makers' Association, which controls 90 per cent. of the total production of cables ;⁶ (4) the North British Locomotive Company ;⁷ (5) the Salt Union,⁸ which was founded in 1888 and embraces 90 per cent. of the producers. Later, the number of outsiders greatly increased in 1906. Now a syndicate controls the output both of the union and of outsiders. The syndicate has been accused of dumping in foreign markets. (6) The Industrial Spirit Supply Company ; (7) the Whisky Trust ;⁹ (8) the Soda Trust, including the United Alkali Company ;¹⁰ and (9) the Tobacco Trust.¹¹

¹ Schulze-Gaevernitz, "Britischer Imperialismus und Englischer Freihandel," p. 270.

² Hermann Levy, "Monopole, Kartelle und Trusts," p. 244.

³ *Ibid.* pp. 339-46.

⁴ Schulze-Gaevernitz, "Britischer Imperialismus und Englischer Freihandel," p. 270 ; and Levy, "Monopole, Kartelle und Trusts," p. 214.

⁵ Levy, "Monopole, Kartelle und Trusts," p. 214.

⁶ *Ibid.* pp. 225-30.

⁷ *Ibid.* pp. 246-8.

⁸ *Ibid.* pp. 230-4.

⁹ *Ibid.* pp. 221-4.

¹⁰ *Ibid.* pp. 248-9.

¹¹ *Ibid.* pp. 252-3.

In addition, Professor von Schulze-Gaevernitz mentions paper, soap, and porcelain organizations.

Under our present system of Free Trade we may conclude, with Professor Levy, that "only when the low cost of production, the manufacture of special brands, the presence of traditional skill, or the existence of international agreements confer immunity from competition can the monopolistic organization of industry be successful in Great Britain."

It is, however, apparent that, compared with the condition in the United States and in Germany, the movement is in its infancy, and that a protective policy would greatly further it. The question arises, Does the United Kingdom offer the conditions for successful trust organizations? The advantage of the trust in international competition rests upon the fact that by the vastness of its production the costs of production are lessened. In order to justify production on a large scale, the trust must secure a large market. Hence the necessity of excluding foreign competition by protective tariffs. Having secured a monopoly of the home market, the trust can practically make its own prices, provided the article which it supplies is one for which there must inevitably be a demand and for which no substitute can easily be found. In competing in foreign markets the trust has many advantages. The costs of production of a giant industry are relatively less than those of a small industry, inasmuch as the cost of reproduction is less than the initial outlay. The most modern machinery is used, thereby saving labour and increasing the speed of production. In the United States railways are owned by the trusts, so that not only production but distribution is

carried out with the least possible friction and hence the least possible waste of time and labour. Trusts having thus to meet a smaller outlay in production, can enter into foreign markets, underselling the home manufacturers who produce on a smaller scale. Furthermore, by monopolizing their own markets, the trusts or cartels are enabled to raise home prices to such an extent that, taking their whole production into account, it may be profitable to sell their surplus in the foreign market, not only at practically no profit, but even below the cost of production.

The whole of this system appears to depend upon the possession of a large internal market in which prices can increase. The United Kingdom in this direction cannot properly be compared with either the United States or Germany. These two countries possess the largest internal markets in the world. England is too small.¹ The population is too limited. The especial lack is that of a peasant or yeoman population. With this Germany is well provided, having on the land a population of 18 millions, the condition of which is slowly improving. The condition of the United States is even more favourable, for they enjoy special advantages. The law of increasing returns is still at work; and moreover there are vast prairies with a soil still virgin. The farmers are intelligent and increasing in wealth. In Great Britain, on the other hand, the population on the land does not amount to more than 5 millions, and the majority of these are day labourers.

In the most important industries, cotton and iron, the export trade, according to Schulze-Gaevernitz,

¹ Schulze-Gaevernitz, "Britischer Imperialismus und Englischer Freihandel," pp. 274-5.

is of more value than the home market. It would do them little good to monopolize it. This, however, is disputed as regards iron.

As to the relative importance of the home market and of the export trade to the iron industry, there is conflicting evidence. On the one hand, Schulze-Gaevernitz, quoting the Tariff Commission, asserts that, in 1902, of the pig-iron produced in England 4·9 million tons were exported, and 3·8 million tons were used at home.¹ On the other hand, Lord Brassey,² quoting Sir Hugh Bell, maintains that the aggregate value of our production of iron and steel in 1902 was £151 millions. Of pig-iron we exported 1,102,000 tons, of the value of £3,569,000; of manufactured iron and steel we exported 2,474,000 tons, of the value of £23,644,000. Lord Brassey's figures for the export trade tally roughly with those of the Statistical Abstract for 1894 to 1908.³ Whence the aggregate value of our production of iron and steel is taken is not so clear. The Blue Book gives only the quantities—8·7 million tons of pig-iron in 1902,⁴ as quoted by Schulze-Gaevernitz. As regards *quantities*, it would seem, then, that in 1902 the home market absorbed more of the pig-iron produced than the export trade. In 1908 the production of pig-iron was 9·1 million tons,⁵ and the export of iron and steel manufactures, including pig-iron, was 4,096,521 tons.⁶ This seems to bear out Brassey's conclusion, that the home market is somewhat more important to the iron industry than the export

¹ Schulze-Gaevernitz, "Britischer Imperialismus und Englischer Freihandel," p. 275.

² Brassey, "Sixty Years of Progress, and the New Fiscal Policy," p. 28.

³ Statistical Abstract, 1894-1908, pp. 161 and 175.

⁴ Cd. 4954, p. 169.

⁵ *Ibid.*

⁶ Statistical Abstract, 1894-1908, p. 161.

trade. On the other hand, the woollen manufacturers find by far their greatest market at home.

In Germany the most powerful cartels are those which control raw materials and partly manufactured articles. They increase the cost of production for the manufacturers who work up the finished article.¹ The working of the cartels is not so easy in the manufacture of finished goods, especially if the goods are of great value, because in fixing prices, consideration has to be given to the demand, and to the possibility of obtaining substitutes. Moreover, changes in taste and fashion are continual, and the great variety of goods which even a single industry has to supply, militates against the creation of monopoly prices. The finishing industries in Germany have complained bitterly against the action of the cartels which control raw materials and half-manufactured goods. They declare that foreign industries of the same type obtain their raw material cheaper, owing to the export policy of the cartels. It appears even that some finishing industries have established houses across the frontier in Holland, in order to obtain cheap dumped raw material. In some cases the difficulty has been met by what is known as "vertical expansion,"² that is, a further organization combining syndicates which control all the various stages of production. This vertical expansion, be it noted, must enormously increase the cost to the consumer. In other cases, the finishing industries have obtained export bounties from the cartels

¹ Schulze-Gaevernitz, "Britischer Imperialismus und Englischer Freihandel," pp. 266-7.

² Oppenheimer, Consular Report, 1909.

to compensate them for their increased cost of production.¹

It seems thus that the United Kingdom does not possess the extended internal market required for the successful operation of a trust or cartel. Statistics tend to the conclusion that England is more and more depending on the development of highly finished goods. German experience shows the difficulties in the way of forming monopolist organizations in such industries. Especially do such difficulties apparently exist in the machine and shipbuilding industries. But it is just in machinery and shipbuilding, and perhaps in the most highly developed forms of cotton manufacture (which have grown far beyond the home market), that the future expansion of British industry will probably lie.

If, however, the trust organization is bound to come as the result of a Protective policy, what have we to expect? There is evidence both from the United States and Germany that trusts force up prices in the home market, though they might reduce prices to the consumer, and yet retain a profit for themselves because of the cheapness of wholesale production. Moreover, we hear from the United States complaints of the miserable clothing which the labourers are forced to buy owing to the action of the wool monopolists. Further, the power and corrupting influence of the United States trusts are only too well known. Lobbying and its attendant vices are the order of the day. Frankland Pierce declares that it is practically impossible for the Congressmen to remain untouched by the corrupting influence of these organizations.² In a work entitled

¹ Schulze-Gaevernitz, "Britischer Imperialismus und Englischer Freihandel," p. 267.

² Cf. Lord G. Hamilton, Gilmour, "Fiscal Controversy," p. 201.

“Protective Tariffs and Public Virtues,” Mr. Pierce states: “We have given our legislators power to transfer millions of dollars from the hands of the people to the pockets of a few hundred Napoleons of finance by a single congressional enactment. A more stupendous instrument of corruption was never conceived by the perverse ingenuity of man than this power conferred upon Congress. Place 300 or 400 Republicans and Democrats of proved honesty in Congress, continue them there for a few years, and a considerable proportion of their number will shortly yield to the temptation to make money out of the tariff legislation.” The climax of this degrading process was reached in the revision of the United States tariff in 1909, when in the interests of a few all-powerful trusts the negotiations between the financiers, the Congressmen, and the Senators reached a point of almost incredible corruption.¹

It has been urged that “what has preserved the trusts in so far as they prove harmful, has not been the American tariff, but the weakness of the central authority in America, the great divergence, complexity, and contradiction of the state of jurisdiction, and the inability of any public authority to bring the law successfully to bear upon them.”² The central authority is indeed stronger in the United Kingdom than in the United States; but the power of a great financial organization, when it has been allowed to take root, grows ceaselessly, and the interests created exert a corrupting influence. Mr. Arthur Chamberlain, an English manufacturer of great business and organizing power, has declared

¹ See *Edinburgh Review*, October, 1909.

² Mr. Austen Chamberlain, House of Commons, February 23, 1910, Parliamentary Debates, vol. xiv. No. 4.

that under a Tariff Reform system he would be able to "make more money in an evening in the House of Commons by arranging for the taxation of my opponents' necessities and for the maintenance of a free market for myself, than I can make by honest industry in a month."¹ Under a protective system, lobbying would become more important to the manufacturer than the slow process of the factory. There lies the danger, that the British manufacturer under Protection will turn his attention from improving his methods of trading and from honest competition to canvassing for favours. It will be urged that, in spite of Protection, the American manufacturer has not slackened his energies. It must, however, be remembered that the Americans are the pick of all that was most energetic and enterprising in the Old World, and that the true force of American push will not be understood until they turn their undivided attention to business under a system of Free Trade, which may come sooner than is expected. As it is, the lobbying of individuals may exercise a bad influence only on those who practise it, but the lobbying of trusts will corrupt and finally overwhelm everything in the State. The trusts will become masters of those who log-roll for them, as they are now absolute masters of both the Senate and the Congress in the United States.

It is possible that at first the workers in the United Kingdom might not suffer from the effect of the trust organization. The Trade Unionists in England are far stronger than those in any other country, and they would, no doubt, insist on increased wages as their share in the increased prices of the trust. But in time the capitalistic organization

¹ Cf. Lord G. Hamilton, Gilmour, "Fiscal Controversy," pp. 200-1.

would surely be able to crush the organization of labour, as has so often been the case in the United States. How far would a central government, subjected to pressure from a powerful organization of capitalists, be able to hold, as it has hitherto done in the United Kingdom, the balance between capital and labour in trade disputes? That is a question which time alone can answer. We cannot flatter ourselves that as a people we are incorruptible. Our history should have taught us to dread a return to the days of Walpole.

SHIPPING.

More than any other industry in the United Kingdom, shipping undoubtedly owes its predominance to Free Trade. That predominance has been established since the abolition of the Navigation Acts, and since the substitution of steam for sailing vessels.

British shipping now carries more than half the sea-going trade of the whole world. The great increase has taken place within the last fifteen years, it might even be said within the last ten years.

The tonnage on the register in the British Empire shows the following figures:—¹

1870	..	7,149,134 net tons	|	1900	..	10,751,392 net tons
1880	..	8,447,171	..	1905	..	12,332,404
1890	..	9,688,088	..	1908	..	13,263,354

Already before 1905 the tonnage of the British mercantile marine was greater than that of all the other nations put together.

That shipping, as far as shipbuilding is concerned, is vitally dependent upon Free Trade conditions, is shown by two great examples. In the first place,

¹ Cd. 4954, pp. 114-6.

Protectionist Germany maintains Free Trade conditions as regards shipbuilding. She possesses free ports, the largest of which, Hamburg, has an area of 2537 acres, where shipbuilding materials are to be had free of duty, the customs-houses being erected on the side of the harbour towards the mainland. Germany, then, recognizes the need of Free Trade conditions. Any duties on shipbuilding materials would put the shipowner at a disadvantage in relation to his competitors by increasing his expenses. This is realized in the United Kingdom, and the Tariff Reformers have recognized not only the necessity of freeing the materials of shipbuilding from the tariff, but also the necessity of free ports; though at present they have not specified which ports are to have the privilege.

In the second place, the history of American shipping offers an example of the injury done to shipbuilding by a policy of Protection. Between 1840 and 1860 the United States tonnage registered for oversea foreign trade increased thus: 1840, 899,765; 1850, 1,585,711; 1860, 2,546,237. At the same time the tonnage of the United Kingdom, apart from the Empire, had increased from 2,768,262 in 1840 to 4,658,687 in 1860.¹ That is to say, the United States tonnage had increased from 32 per cent. of the British tonnage in 1841 to 54 per cent. in 1860. In the sixties came the American Civil War between North and South, followed by a system of high tariffs. From that time the United States shipping has gradually dwindled, reaching its lowest ebb in 1898, with 737,709 tons.² There has been some recovery since then, the average for the years 1905-8 being 926,303 gross tons.

¹ Robertson, "Trade and Tariffs," p. 141.

² Cd. 4954, p. 117.

During the same period, since 1860, the tonnage of the United Kingdom apart from the Empire has increased from 4,658,687 tons in 1860 to an average of 11,232,352 net tons for the years 1905-8.¹ The figure for 1909 is 11,585,878 net tons.²

The figures given for the United States only include the tonnage registered for foreign trade, as ships registered for lake, river, and coasting trade enjoy a monopoly, and thus do not really affect the question. The gross tonnage of these vessels has increased from 2,752,938 in 1860 to 4,338,145 in 1900, and an average of 5,932,635 gross tons for the years 1905-8.³

The fact that the limit of registration varies in the different countries⁴ renders comparison difficult, and conclusions drawn therefrom can only be rough.

Thus the French figures include all vessels of 2 tons net and upwards; the American include all of 5 gross tons and upwards; the German all vessels of 17½ gross tons (50 cubic metres) and upwards; while the British figures exclude all vessels of 15 tons and under employed in river or coasting trade at home or in British Possessions, and vessels of 30 tons and under not decked and employed on the North American fisheries.⁵ Moreover, the proportion of steam to sailing tonnage is of importance as indicating carrying power.

With regard to the shipping trading with different countries, the proportion of British tonnage to the total of German tonnage in German ports from being 37 per cent. in 1880-4, and 37·1 per cent. in 1890-4, has steadily declined to 26·9 per cent. in 1905-7.⁶

¹ Cd. 4954, pp. 114 and 116.

² Cd. 5296, p. 282.

³ Cd. 4954, pp. 115 and 117.

⁴ *Ibid.* pp. 114-5.

⁵ Cd. 4954, p. 114, and Robertson, "Trade and Tariffs," p. 143.

⁶ Cd. 4954, p. 109.

(average of three years). In the case of France, the proportion of British tonnage in French ports to the total rose from 31·5 per cent. in 1860-4 to 45·3 per cent. in 1895-9. Since then there has been a progressive decline, and the percentage for 1905-7 is 36·4.¹ In the case of the United States, the increase in the British percentage of the tonnage in American sea-ports has been enormous in the last sixty years. In 1855-9 it was 20·5 per cent. of the total; in 1865-9, 44·9 per cent.; in 1885-9, 51·5 per cent.; in 1895-9, 55·5 per cent.; and in 1905-8, 51·3 per cent.²

The percentage which the United Kingdom has lost during the last ten years has not been gained by the United States, but by other nationalities. In 1905-8 the United States percentage of the total tonnage entered and cleared at their sea-ports was 14·7 per cent., having been 58·4 per cent. in 1860-4, and 71·2 per cent. in 1855-9.

It was pointed out before the Parliamentary Committee on Steamship Subsidies in 1902³ that we cannot expect to be increasingly the biggest builders of the world for foreign orders, and still retain our proportion of the shipping business. During the last ten years, the actual amount of tonnage built by the United Kingdom for foreigners has enormously increased, especially with regard to steam tonnage.⁴ On the other hand, in Sir Robert Giffen's opinion,⁵ "the whole tendency of the trade of all countries put together for the last twenty years has been to diminish the proportion of British shipping." There

¹ Cd. 4954, p. 106-7.

² *Ibid.* pp. 110, 111.

³ By Sir Robert Giffen. Report of Parliamentary Committee on Steamship Subsidies (1902), p. 29.

⁴ Cd. 4954, p. 105.

⁵ Report of Parliamentary Committee, p. 29.

has been a great advance lately in some countries, especially Germany, and the advance has been largely in the higher class of shipping, mail and passenger steamers, and especially in large steamers. Sir R. Giffen pointed out that between 1895 and 1900 the entries and clearances of steam shipping at ports of the United Kingdom in the foreign trade increased from 70 million to 90 million tons, and that of the increase 15 millions, or three-quarters, belonged to foreign shipping, and only 5 millions, or one-quarter, to British shipping. The increase in foreign shipping was 100 per cent., in British shipping it was only about 10 per cent.

The explanation is partly that British ships are employed more in long distance trades than in these short voyage trades, but the figures are evidence of the pressure of competition.

During the five years, 1903-8, the increase of foreign shipping at the ports of the United Kingdom, though not so disproportionate, has been large. The total increase of steam shipping entered and cleared at ports of the United Kingdom in the foreign trade has been 28 million tons (1903, 99 million tons; 1908, 127 million tons). Of these 10 million tons have been British and 18 million tons foreign. The increase in British shipping has been about 15 per cent., the increase in foreign steam shipping entered and cleared at United Kingdom ports from 1903-8 has been about 56 per cent.¹

But this is not all. There are certain facts with regard to British merchant shipping which give cause for alarm : ² (1) In the first place, there is the question of American-owned ships under the British

¹ Worked out from Statistical Abstract, 1894-1908, pp. 270-1.

² Giffen, Report of Parliamentary Committee, p. 9.

flag, which amount to about 5 per cent. of the British mercantile tonnage. These ships are, in Sir Robert Giffen's opinion, to all intents and purposes American ships, and could, under certain circumstances, be claimed by the United States Government. English law as to joint stock companies makes it very easy for foreign owners to become proprietors of ships on the British register.¹ Moreover, it is difficult to tell what really is a British ship, owing to the fact that foreign-owned ships fly British colours. This might be serious in time of war. (2) The number of British persons employed in the merchant service is almost stationary, and in some of the most important branches has declined.² In the period 1865-9 the average number of British persons employed annually (exclusive of masters) was 176,114. In the period 1900-4 the number (inclusive of masters) was 175,095. In the period 1905-8 it had risen to 190,128. But when we turn to the number of actual seamen employed we find a great falling-off. Twelve years ago it was estimated that while during the preceding half century the British merchant tonnage had almost trebled, the number of British seamen had decreased by 25 per cent., and the boys and young men by 85 per cent. Since that time there has again been a considerable decrease. In 1896 it was estimated that the number of British petty officers and men employed in the mercantile marine of the United Kingdom was 40,108; while the estimated number in 1906 was 34,052. In the same period the tonnage of the mercantile marine increased by about 10 per cent. (3) Owing to resentment at the general trend of British shipping legislation

¹ Giffen, Report of Parliamentary Committee, p. 12.

² Cf. Cd. 4954, pp. 102-3, and Report on Progress of Merchant Shipping, 1908 (published 1910).

about captains and officers, there is a disposition among our marine officers to enter the American service and become American citizens.¹ (4) Owing to certain anomalies, ships sailing under foreign flags have certain advantages in our ports as compared with vessels on the British register, *e.g.* they are not subject to load-line regulations. The case was given² of a British ship, the carrying capacity of which as a British ship was 1825 tons, which was sold to Germans and came to Liverpool under the German flag carrying 275 tons more, an increase of 15 per cent. In addition, this ship carried a smaller crew at less wages.³ As a result of our humanitarian legislation, ships come in under a foreign flag which previously traded under the British flag. Mr. Wilson, M.P. for Hull, stated in evidence that he had ships running under the Swedish flag, and that the expenses were very much smaller.

Against these statements of Sir Robert Giffen must be set the evidence of Sir Walter Howell,⁴ who does not share the pessimistic views of Sir Robert. In the first place, with regard to foreign entrances and clearances, Sir Walter (quoting a paper read before the Statistical Society in January, 1902, by Sir John Glover) pointed out that the recent figures of tonnage excluded the tonnage of British vessels employed by the Government in connection with the South African War. The entrances and clearances of vessels so employed with cargoes and in ballast in 1900 amounted to 1½ million tons. The total tonnage in the foreign trade was, in 1850, only 14½ million tons ; by 1900 it

¹ Report of Parliamentary Committee, pp. 13 and 25.

² *Ibid.* p. 13.

³ *Ibid.* p. 26.

⁴ Report of Parliamentary Committee on Steamship Subsidies (1902), pp. 167, *et seq.*

grew to $98\frac{1}{2}$ millions, but notwithstanding this enormous increase, the foreign proportion only increased $1\frac{1}{2}$ per cent., from 34·89 per cent. in 1850 to 36·35 per cent. in 1900.

Moreover, as regards steam tonnage, the world's steam tonnage between 1890-1 and 1902-3 increased from 13 millions to 26 millions. The British proportion of it sank from 63·4 per cent. to 52·8 per cent., while the German proportion rose from 7·2 per cent. to 10·2 per cent. Yet British steam tonnage increased in amount from $8\frac{1}{4}$ millions to $13\frac{1}{2}$ millions, *i.e.* by 5·4 million tons; while German steam tonnage increased from 928,000 to 2,600,000 tons, *i.e.* by 1,700,000 tons. That is, for every ton that Germany added between those dates, we added rather more than three.¹

Turning to the statement that Germany came very close to our figures in regard to very large steamers, Sir Walter stated that of those above 10,000 tons, in 1901-2, Great Britain had 26, Germany had 24; but the figures for 1902-3 were, Great Britain 35; Germany only 25. Of those between 7,000 and 10,000 tons, in 1901-2 Great Britain had 78, Germany 20; in 1902-3, Great Britain had 95, Germany 19. These figures included vessels flying the British flag which are virtually foreign owned; but did not include steamers which are British owned and trading under foreign flags.²

With regard to the transfer of vessels from the British flag to foreign flags, it is not due to any extent, in Sir Walter's opinion, to Board of Trade regulations. The chief cause of British vessels

¹ Report of Parliamentary Committee, p. 171.

² *Ibid.*

being transferred is that British shipowners are constantly replacing their older ships by newer, better, and more economical vessels. Sir Walter gave figures showing that of 1,218,593 tons gross added to the register of the United Kingdom in 1901, no less than 95 per cent. were new vessels, nearly all built in the United Kingdom; whilst of the 346,747 tons gross transferred from the British register to foreigners about 48 per cent. had been built before 1885, and about 57 per cent. before 1890.¹

Nor was Sir Walter of opinion that British owners were at a disadvantage owing to the Board of Trade regulations. In the first place, as regards wages, he pointed out that certain comparisons show that German ships are at an advantage as compared with British and British as compared with American vessels.² As to accommodation, we do not interfere with foreign vessels at all in this matter. Sir Walter refused to admit that because of the accommodation regulations, British vessels are at a disadvantage. Every space in the vessel that is used for the accommodation of the crew is deducted from the tonnage, and in that way the dues are reduced. Dues being levied on the tonnage of the vessel, if the tonnage is reduced, the dues are lighter.³ With regard to the question of the load-line, Sir Walter declared that we do enforce it on foreign vessels in the ports of this country. Over vessels *coming* to the United Kingdom we have no power, nor can we compel a foreign ship to be marked with a load-line. But many foreign ships are voluntarily marked with a load-line, as a rule, by the registration societies for their own convenience.

¹ Report of Parliamentary Committee, p. 169.

² *Ibid.*

³ *Ibid.* p. 173.

Our surveyors find no difficulty in satisfying themselves that the load-line is in the right place. When a vessel is in our ports, and takes cargo, they know perfectly well whether she is overloaded, just as they know in the case of a British ship. Figures go to prove that the law is rigorously administered against foreign vessels in our ports. In 1892, there were 37 British vessels detained for overloading or improper loading, and 26 foreign ships. In 1900, there were only 9 British and 22 foreign ships. In 1901, there were 20 foreign and only 9 British.¹ Thus we prevent foreign ships from leaving our ports overloaded. In the same way, the regulations as to deck loads apply alike to British and foreign ships coming to the United Kingdom; and we punish far more foreign ships for bringing deck loads of timber here in winter than we do our own people, and there is no difficulty in doing it.²

Finally, Sir Walter Howell expressed the opinion with regard to interfering with foreign ships that if we "were to lay down a load-line, with all the friction and disagreement it would involve, you would not practically, enable me to detain one more foreign ship than I do now; all it would enable me to do would be to punish the foreigner, who had made his voyage safely, when he got here."³ He pointed out that the question of applying British restrictions to foreign ships involved a question of international law: how far are we justified in interfering with the internal arrangements of foreign ships?⁴

As regards light dues, Sir Walter pointed out that there are very few countries which do not

¹ Report of Parliamentary Committee, p. 169.

² *Ibid.* p. 170.

³ *Ibid.* p. 176.

⁴ *Ibid.* p. 170.

enforce tonnage, lighthouse, or other equivalent dues. He declared that the dues were paid to the extent of 30 per cent. to 35 per cent. by foreigners ; but expressed the opinion that the representations of British shipowners, on this matter, ought to receive sympathetic consideration.¹

But though these obstacles alleged by Sir Robert Giffen are, if we accept his judgment, injurious to the development of British shipping, they are as nothing compared to the dangers which, in his view, are threatened by the policy of foreign Governments. In Germany, Russia, and France, the native mercantile marine is aided by Government subsidies. In Germany, the officers and crews of the steamship companies subsidized, form a kind of reserve for the German navy, and the officers have for the most part served in the German navy. The subsidies given are direct, such as the mail contract subsidies ; and indirect, such as cheap railway freight from inland to the ports, reduction of rates, and through bills of lading. The subsidies have been used in part to force trade when it could not otherwise exist,² the profits of the subsidized part of the German mercantile marine being considerably less than the subsidies. The intention of the German Government, which is behind the German mercantile marine, is to stimulate trade in general, not only shipping. The North German Lloyd, one of the subsidized lines, which has increased so largely of late, plies between the United Kingdom and the Colonies. It does the coasting trade of Australia, the trade between Southampton and Singapore, Singapore and Hong Kong, Brisbane and Adelaide.

Sir Robert Giffen pointed out how serious is the

¹ Report of Parliamentary Committee, p. 176.

² *Ibid.* p. 7.

problem of maintaining our mercantile marine. "This is one of those cases where we have to do something to acquire a thing which is absolutely necessary to the country at any price, and if we cannot get it under Free Trade conditions, then we must get it how we may." The question is political rather than economic. "Being islanders, we depend upon shipping for supplies in time of war, and for that purpose neutral ships may not be sufficient. Neutral ships will not run the risk of capture by an enemy, or at least we cannot be sure that they will. They may be fettered or controlled by their own government when the time of war comes, and there is an obvious risk of the leading shipowning countries, if we are not the pioneers ourselves, being the very countries to wage war against us. I think therefore we must have our own ships, which means that in time of peace our mercantile fleet must be maintained. We cannot do without it."¹

This, then, is obviously an industry which we cannot allow to be endangered, because foreign countries can supply the British and Colonial consumer cheaper. This foreign shipping lines are enabled to do by the direct action of their Governments which grant subsidies, especially in the way of freight advantages and direct through rates.

But in Sir Robert Giffen's words, "a question of greater or less opulence is one thing, but a question of the safety of the country is another."²

What, then, are the suggested remedies in face of this policy of foreign Governments which has contributed to the relative diminution of the British shipping industry as compared with that of foreign countries ?

¹ Report of Parliamentary Committee, p. 6.

² *Ibid.* p. 18.

In the first place, it seems that something might and should be done by reconsidering a great deal of our merchant shipping legislation.¹ The legislation with regard to officers which causes such resentment might be amended. The anomaly which allows ships trading under a foreign flag to carry larger cargoes than those under a British flag when trading to a British port, and generally the regulations which allow foreign ships to compete, *e.g.* as to emigration, at an advantage, might be removed or amended. Sir R. Giffen was of opinion that it was almost an absolute necessity that light dues should be abolished without delay as a bad form of taxation. These are, however, minor proposals, important though they are in themselves.

Notwithstanding the obvious and numerous difficulties which surround the granting of subsidies, Sir R. Giffen, considering the nature of the attacks made by foreign countries and the supreme importance of the trade, suggested that subsidies should be granted to British ships in certain trades where they are exposed to the unfair competition of ships subsidized by foreign countries. There arises, of course, the difficulty of deciding what is unfair trade, and there is the danger that the recipients of subsidies may become indolent. This, however, has not been the case in Germany. We must, however, never forget the disastrous effect of the bounty system on the French mercantile marine. We may be forced to adopt subsidies, but we must do so with our eyes open to the experience of other nations as to the dangers which beset such a policy.

Especially in regard to the trade of the Empire there seems to be a case for granting subsidies.

¹ Report of Parliamentary Committee, p. 13.

Many of the lines already have mail subsidies ; but if the principle were extended, the Government would have to make conditions with regard to speed and freight and to the carrying of official passengers and troops. Thus the German Government, in giving bounties, makes certain stipulations. In our own case it has been said that the P. and O., a subsidized line, carries goods more cheaply from Antwerp to India than from London to India. If we give subsidies, we ought to see that the ships subsidized carry goods from British ports not merely as cheaply as our own subsidized ships would do this from Antwerp, but as cheaply as foreign subsidized ships would.

Further, in view of the fact that many British ships are foreign owned, and that thus it is difficult to tell what is and what is not really a British ship, it might be necessary to make it a condition of the subsidy that the line should effect no sales of ships without the consent of the Government. } x

The difficulty of through rates from inland towns to the seaboard is enhanced by the fact that the Government does not in England, as in Germany, own the railways.

The opinion has, however, been expressed that clauses might be inserted in contracts giving subsidies to ships which would put pressure on the railway companies.

With regard to subsidies to bring the various parts of the Empire into closer contact, it seems that the West Indian Colonies have expressed their willingness and even desire to contribute to a subsidy to improve steamship communication with Canada, or indeed with any other part of the Empire. Even Jamaica, which, on account of the dependence of her

banana trade on the United States market, looks rather askance at closer relations with Canada, for fear of giving offence to the United States, has given its adherence to a policy of subsidy.¹

The subsidized North German Lloyd, as we have seen, is acquiring the coasting trade of Australia, competing at an advantage with British ships. Sir R. Giffen suggested² that we should either exclude altogether foreign ships, especially foreign subsidized ships, from the coasting trade of the different portions of the Empire and from inter-provincial trade, or that we should admit such ships to these trades only on condition of their complying with the same rules as to construction, equipment, and inspection as English ships, and paying a fine for the privilege equal to or exceeding any subsidy they receive. In any case, no ships should be admitted to the privilege whose crews directly or indirectly form part of a foreign navy or its reserve, or when the ships are liable to be incorporated with such navy in time of war.

The suggestion that foreign ships should be prevented from doing coasting trade or inter-provincial trade within the Empire itself, except on proper terms, would require the consent and co-operation of the self-governing Colonies. A resolution to this effect was passed by the Colonial Conference of 1902 and reaffirmed by the Colonial Conference of 1907. In 1908, Canada passed an Act which received Royal assent, withdrawing the privileges of Canadian coastwise trade from Germany, Italy, the Netherlands, Sweden and Norway, Austria-Hungary, Denmark, Belgium, and the Argentine

¹ *Times*, March 12, 1910.

² Report of Parliamentary Committee, p. 15.

Republic in certain contingencies.¹ This question of shipping is one on which agreement over a period of years between the Mother Country and the Colonies seems almost essential. Sir Robert Giffen admitted that the exclusion of foreign ships from the inter-provincial trade of the Empire amounts to a partial revival of the Navigation Laws.² Yet he considered the matter so important that, if it became serious enough, he added that the Government ought not to shrink from a last step, that is, to run ships on certain lines to bring goods for nothing to British ports—no freights at all—so as to extinguish by making unprofitable, unfair competition.

With regard to the probable action of foreign countries in reply to the proposed restrictions on inter-Imperial trade, Sir R. Giffen pointed out that he was only proposing to do what other countries already do, without any idea of reprisal, "as simply a thing that is within their own right." It is as much within our right as within that of foreign countries, who would have no cause for complaint.³

America, France, and Russia all restrict their coasting trade, using that term in the widest sense.⁴ For instance, the United States Government calls the trade from New York to San Francisco coasting trade, though it goes round Cape Horn; and thus the ships carrying it must be American. Further, only American ships may trade to American Possessions abroad. From 1906 to 1908, this held good of trade between the United States and the Philippines.⁵ In the latter year, however, the enactment was repealed. The repeal attracted little attention in the

¹ Cd. 5293, p. 65.

² Report of Parliamentary Committee, p. 16.

³ *Ibid.* p. 22.

⁴ *Ibid.* pp. 10, 21.

⁵ Schulze-Gaevernitz, "Deutschland und England," p. 229. Cd. 5273, pp. 63, 64.

United States. In the words of a despatch from the British Embassy at Washington, dated April 30, 1908, "The only comments made thereon are to the effect that American shipping had failed to profit by the repeated respite allowed to it in which to show some preparation to provide for the trade to be reserved to it, and that so to reserve trade would have had the effect of excluding American goods from the islands by high freight rates." A similar Bill with regard to the trade between the United States and Hawaii was introduced into Congress in 1908.

France, some years ago, specially included Algeria in her coasting trade, and it is the same with her other Colonies; for instance, on the annexation of Madagascar, British ships were excluded from that trade. Russia includes in her coasting trade not only trade in the Baltic but also trade between the Baltic and the Black Sea, and trade from the Baltic to Vladivostock through the Suez Canal. Germany, be it observed, does not reserve her coasting trade. We should, then, be in our right if we re-enacted the Navigation Laws, so far as the coasting trade of the British Empire is concerned, and foreign countries would have no cause for complaint.¹

What would be the result? The reason for the existence of the subsidized German line to the Far

¹ It was pointed out to Sir R. Giffen by Colonel Ropner that the tonnage of British vessels trading between British ports is 91 per cent., and the tonnage of foreign vessels only 9 per cent.—and that it is generally supposed by a section of shipowners that all we could gain by our proposed coastwise legislation would be the 9 per cent. which is now carried in foreign vessels. He suggested that foreign countries, by making reprisals, might take much more from us than we could possibly gain by such legislation. Sir Robert replied that dangers and difficulties must be faced in order to maintain shipping, and repeated that foreign countries would have no ground of complaint. (Report of Parliamentary Committee, pp. 24-5.)

East, of the German East African line, and the North German Lloyd, of the French Messageries Maritimes, and the Russian subsidized lines would practically disappear.¹

Would the danger of being deprived of so many ports bring foreign countries to terms? Sir R. Giffen was of opinion that, though it would be a great blow to them, they might develop a trade with the Dutch and French possessions in the Far East, passing over our Possessions, and still be able to maintain a great trade.²

Still, though the threat would probably not have the same effect as the threat of countervailing duties had on the question of sugar bounties, yet it would probably be of some value in bringing foreign countries to terms. We might begin by intimating what our policy is going to be, but always be willing to negotiate if other countries will come to terms.

With regard to the suggestion that the Government should, as an extreme measure, own and run ships for nothing, Sir R. Giffen pointed out that the cost of freights would be covered without imposing an additional burden on the consumer by levying duties on all goods coming from the country. The consumer would be paying these charges in lieu of freights, so that it only would be a question of form of payment.³

The point is that we need the mercantile marine to perform certain duties in time of war. This is, however, an extreme measure, and it seems clear that the ownership by the State of ships which carried goods for nothing would bring disorganization into the shipping industry.

¹ Report of Parliamentary Committee, p. 25.

² *Ibid.*

³ *Ibid.* pp. 16, 21.

If subsidies were given, conditions could be laid down.¹ For instance, the German Government contract insists that the men employed on these merchant ships should be navy men. If we could bring this about, the crews of our merchant ships might form, as they should, a kind of reserve supplementary to the navy. It would also be possible by stipulations to retain a certain control and so prevent the rise of a ring or combine.

With regard to the cost, it was stated that we have steam shipping of as much as $7\frac{1}{2}$ million tons, and that some of the foreign subsidies come to more than £1 per ton.² But it would not be necessary to subsidize all the ships in the British mercantile marine, though the task of drawing the line would be admittedly very difficult.

Other questions arise such as the large amount of work done by "tramp" steamers, a certain number of which would have to be compensated as they would be unfavourably affected by subsidies. This is no small question, as in the eyes of some authorities the "tramps" are the backbone of the British mercantile marine.³ These "tramps," according to Sir Walter Howell, represent 80 per cent. of our shipping.⁴ Some great and well-known firms have chiefly "tramps."

Sir R. Giffen concluded that though the objections to subsidies are many, and the difficulty in the way of enforcing them great, yet it is a choice of evils. Our necessities are urgent, and the shipping industry is of such vital importance to the nation that we cannot allow it to go down before what is

¹ Report of Parliamentary Committee, p. 26.

² *Ibid.* pp. 28-9

³ *Ibid.* p. 21.

⁴ *Ibid.* p. 174.

really a hostile attack of foreign governments. He therefore recommended subsidies.

There are many difficulties in the way of the policy recommended by Sir Robert Giffen. In the first place, on the ground of high policy, it is urged that His Majesty's Government have based their policy in the East on the policy of the open door. The Foreign Office would find it difficult to explain our course if, after arguing for the open door, we were suddenly to turn round and close our own doors in every part of the world.¹

Again, there is the danger that the reservation of the Imperial coasting trade would assist the old type of steamers or barges or sailing boats remaining in existence, as it has done in the United States ; where there are ships which could not be there at all, if we could compete.² This lack of progress is an almost inevitable result of allowing shipbuilders to keep the trade to themselves.

From the point of view of the manufacturer, the reservation of coastwise trade is deprecated,³ as likely to lead to an increased cost of raw materials, and of manufactured articles used in the United Kingdom for a further process, for which the manufacturer is often dependent on articles from overseas. The reservation might simply serve to give a monopoly to the wealthy established companies of British shipowners, who, once having obtained a monopoly, would undoubtedly raise freights, instead of lowering them.⁴

What would be the attitude of the Colonies

¹ Report of Parliamentary Committee (Steamship Subsidies), Sir S. Walpole, p. 155.

² *Ibid.* Pirrie, p. 125.

³ Report of Committee, Sir A. Spicer, p. 87.

⁴ *Ibid.* Sir S. Walpole, p. 155.

towards a line of policy such as that proposed by Sir R. Giffen? On that point evidence is conflicting. On the one hand, Sir Spencer Walpole declared¹ that the reservation of the coasting trade within the Empire would be most unpopular and fatal to the interests of the Colonial Possessions. He had in mind chiefly the Eastern Possessions; and pointed out that if they are already complaining that the Peninsular and Oriental Company are crushing out the tramp trade, how much more would they complain if we placed the whole of that trade in the hands of the P. and O. and crushed out the competition of the Messageries and the North German Lloyd. He urged that only by competition were freights, to a certain extent, kept down; and maintained that, far from giving specially low rates to British officers, as had been suggested, the P. and O., if they were the only steamers that could possibly come from British ports, would be more likely to increase them.

On the other hand, Canada has already taken the step recorded above, and the general feeling in Australia is represented as favourable to reservation, if foreign ships cannot be brought under the same laws and port regulations which control our own ships. Mr. Jefferson, an Australian witness before the Parliamentary Committee, expressed the opinion that if we could enforce the Board of Trade regulations on foreign ships, it would be as efficacious as excluding them altogether.²

But this would apparently be an extremely difficult and dangerous thing to attempt. Mr. Jefferson admitted that, taking them all round,

¹ Report of Committee, p. 155.

² *Ibid.* p. 197.

British shipping to Australia and British and Australian trade are prospering ;¹ and that the British line had not been driven from Australia in consequence of subsidies being given to foreign lines, notwithstanding the great efforts of foreign shipping companies. Nevertheless, the feeling that French and German ships, working at much lower cost, are getting an unfair advantage over the British coasting trade, and taking all the passenger trade from the East to the West, is creating a strong disposition in favour of reservation.

It seems necessary that, whatever policy is to be adopted with regard to the coasting trade of the Empire, the Colonies must be consulted. It is possible, even probable, that what would suit Canada, for instance, might not be agreeable to Australia and the Cape ; and thus trade among the various parts of the Empire might be disturbed.

Perhaps, too, further consolidation of the Empire is necessary before the policy can be considered feasible.² The opinion has been expressed that it might be possible to make the experiment for the United Kingdom as against the United States, seeing that they have adopted a policy of restriction against the United Kingdom. "With the smaller geographical area of the United Kingdom, and with the figures clearly accessible in this country—a country whose revenue does not wholly depend on customs—quite the other way—a trial of this policy might be made here as an initiation, and if found successful the wisdom of its wider application might then be advantageously discussed."³

It must, however, be borne in mind that many

¹ Report of Committee, p. 197.

³ *Ibid.*

² *Ibid.* Mr. Soper, p. 184.

of the Colonies are convinced that they cannot afford a policy which would cause a diminution in their customs revenue ; and that, in dealing with self-governing Colonies, unity of fiscal policy is not to be arrived at throughout the Empire. What we can aim at is an arrangement, by treaty or by some other means, lasting over a period of years, between the Mother Country and the Colonies. Not only is such an arrangement with regard to shipping desirable, but it will probably be found in the near future a vital necessity.

We have thus considered the pros and cons of subsidizing our mercantile marine. Finally, we have the report of the Parliamentary Committee on Steamship Subsidies, which was to the following effect :—

(1) That the granting of shipping subsidies at considerable pecuniary cost by foreign Governments has favoured the development of competition against British shipowners and trade upon the principal routes of ocean communication, and assisted in the transfer from British to Continental ports of some branches of foreign and Colonial trade ; but that, notwithstanding the fostering effect of subsidies upon foreign competition, British steam shipping and trade have in the main held their own, and under fair conditions British shipowners are able to maintain the maritime commerce of the country.

(2) That subsidies are the minor factor, and commercial skill and industry the major factors of the recent development of the shipping and trade of certain foreign countries, and notably of Germany, where, for example, the granting of through bills of lading *viâ* the State railways has had an important effect. In some other countries, subsidies have led to no satisfactory results.

(3) That the subsidies given by foreign Governments to selected lines or owners tend to restrict free competition and so to facilitate the establishment of federations and shipping rings, and therefore that no subsidy should be granted without Government control over maximum rates of freight and over this combination of subsidized with unsubsidized competition.

(4) That the competition of British shipowners with their commercial rivals upon fair conditions without Government interference by way of subsidies or by way of control of freights is more healthy, and likely to be more beneficial to the nation and Empire than a State-subsidized and State-controlled system, under which the shipowner would have to depend less upon his individual energy and more upon the favour and support of the Government.

(5) That a general system of subsidies, other than for services rendered, is costly and inexpedient.

(6) That rare cases occur when, in view of special imperial considerations subsidies are necessary for establishing fast direct British communication, and that at the present moment such a subsidy should be favourably considered for a line to East Africa, where there is no direct British steamship service, and where British trade is handicapped by foreign subsidized steamship lines.¹

(7) That in all cases of subsidies it is desirable, as far as possible, to observe the following principles:—

(i) That every endeavour should be made to maintain the pre-eminence of British lines, and that it is desirable to secure unification of control

¹ The Union Castle Line has established, in August, 1910, a direct line running right round Africa, in spite of the competition of the German subsidized lines, and without the subsidy here advocated.

by placing the final negotiations in the hands of a small permanent committee, constituted as recommended in paragraph 45 (*i.e.* representatives of the Admiralty, Board of Trade, Colonial Office, and Post Office, with representatives of shipping and commerce).

(ii) That a condition of adequate speed should form part of every subsidy, to ensure rapid communication within the Empire, and to secure fast carriers of food supplies in time of war or to meet Admiralty requirements.

(iii) That no British subsidy should be granted except on condition that the whole or partial sale or hire of any ship in receipt of the subsidy cannot take place without permission of the Government. It is desirable that the majority of the boards of directors of the subsidized companies should be British subjects.

(iv) That on subsidized vessels the captain, officers, and a proportion of the crew ought to be British subjects.

(8) That with a view to the fair competition of British shipowners with their foreign rivals, (i) Board of Trade regulations should be enforced against foreign ships equally with British ships ; (ii) light dues should be abolished ; (iii) means should be taken to remove foreign regulations which exclude the British shipowners from the trade appropriated by various foreign Powers to their own shipping as "coasting trade," and that, if need be, regulations for the admission of foreign vessels to the British and Colonial trade of this Empire should be used with the object of securing reciprocal advantages for British shipowners abroad.

The Merchant Shipping Act, 1906, amends the

law with regard to load-lines, applying the British load-line provisions to foreign ships; much still remains to be done, but the first report of the working of this Act shows that satisfactory progress has been made.

AGRICULTURE

Agriculture is, above all, the industry which is valuable to the United Kingdom. Agriculture and shipping, the land and the sea, produce the best type of man, while land gives the abundant population which the sea denies. It is against all experience that a nation can long remain great which does not possess, or having once possessed has lost, a hardy and abundant rural population. In the United Kingdom the value of agricultural lands has fallen very seriously during the last half century, and the numbers employed in agriculture have diminished. But even now they are greater than the numbers employed in any other single industry in the United Kingdom (in 1901, 2,262,454).¹

It is said that Great Britain is *par excellence* the country of large farms. In the first half of the nineteenth century, the countries of Western Europe found the cultivation of cereals, and especially of corn, the most profitable form of agriculture, and the large-scale farmers of Great Britain triumphed.² Great Britain during that period was not only the pioneer of agricultural reform, but was held up to other countries as a model. But during the latter half of the nineteenth century, with the opening up of the great virgin lands of other continents, and

¹ Kennedy, *Journal of Society of Arts*, March, 1905.

² Fay, "Co-operation at Home and Abroad," pp. 207-8.

the cheapening of transit, which makes competition ever more severe, Western European agriculture has come to favour small farming products. Some of the continental countries had, earlier in the century, established a peasant proprietary from reasons of social policy, and found their system of land tenure admirably adapted to the trend of agriculture. But Great Britain had in an earlier century lost her small-farming tradition, and has therefore had to follow, by means of small-holding legislation, "in the wake of that irresistible change in the nature of her agriculture which is making the small farmer indispensable."

The change in agriculture is indicated in the transference of arable land to grass in Great Britain—3,000,000 acres between 1875, the eve of the agricultural depression, and 1905.¹ There has been an increase of 13 per cent. in the number of horses and of 17 per cent. in the number of cattle, while sheep have decreased by $9\frac{1}{2}$ per cent. But the most significant expression of the change, the increase in dairy produce, it is not possible to estimate, owing to the fact that there is no record of the total output of fresh milk, sold as such. The market gardening or small fruit area—fruit, flowers, tomatoes, etc.—has increased to 79,000 acres from 37,000 acres in 1888, when it was first computed.

As a result of the changes in the form of culture, there is a change in the nature of land-holding. "The big farms of over 300 acres, so typical of the Eastern countries' corn-growing area, are diminishing before a smaller class of farms of 50–300 acres, confined to cattle raising and dairying. Meanwhile, also, the still smaller class of farms, of 5 to 30 acres,

¹ Fay, "Co-operation at Home and Abroad," p. 208.

though not increasing, has ceased to diminish.”¹ Small holdings associations have grown up spontaneously, and their efforts are now being supplemented by legislation, by the Small Holdings Act of 1907, which ensures that every local demand shall receive attention. This Act applies to England and Wales only.

With regard to the important question of keeping people on the land, Lord Eversley² has drawn a comparison between the county of Aberdeen and the counties of Roxburgh, Berwick, and Edinburgh, which have much the same area. In Aberdeenshire there are something like 7000 tenants cultivating land between 5 and 50 acres. The average acreage of a farm is 80 acres, while in the three southern counties it is 280 acres. In Aberdeen, the county of small holdings, there are five times the number of farmers and twice the number of hands employed on the land. On the same subject the report of the Farmers' Club expresses the opinion that not only does grass farming provide employment for as many labourers as rotation farming, but it pays a higher rate of wage. It points out that the Board of Trade statistics show that the rate of wages is lowest in the chief corn-growing counties and highest where dairy farming is most prominent. This is explained by the requirement of greater skill in dairy farming.³

With regard to the number and nature of small holdings existing in Great Britain, Mr. Adams, in a paper read before the Royal Statistical Society,⁴ quoted the following return, handed in by Mr. Rew

¹ Fay, "Co-operation at Home and Abroad," pp. 208-9.

² *Statistical Journal*, September, 1907, p. 440.

³ Letter to *Times*, Hart-Synnot (Director of Agriculture, University College, Reading), November 20, 1909.

⁴ *Statistical Journal*, September 30, 1907, p. 413.

to the Departmental Committee on Small Holdings in 1895:—

GREAT BRITAIN.

						Number.	Acreage.
Above	1	and not exceeding	5	acres	..	117,968	366,792
"	5	"	"	20	" ..	149,818	1,667,647
"	20	"	"	50	" ..	85,663	2,864,976
"	50	"	"	100	" ..	66,625	4,885,203
"	100	"	"	300	" ..	81,245	13,875,914

giving a total of 23,660,532 acres in Great Britain held in holdings less than 300 acres. The number of holdings had not greatly changed between 1895 and 1907.

From the Annual Report for 1908, published by the Board of Agriculture and Fisheries, of the proceedings under the Small Holdings and Allotments Act, 1908,¹ etc., we learn that during the year, up till December 31, 1908, 21,417 acres had been acquired by the County Councils of England and Wales, of which the Councils had obtained vacant possession of 7,308 acres during 1908, and let or sold 5,612 acres on December 31. Further applications for small holdings, amounting to an area of 185,589 acres in England and Wales, had been approved as provisionally suitable.² According to the report for the year 1909, during the year the quantity of land acquired or agreed to be acquired by County Councils was 39,472 acres, making a total of 60,889 acres actually acquired or agreed to be acquired for small holdings by County Councils in England and Wales, from the time that the Act came into operation until December 31, 1909. Of this 34,234 acres had been purchased for £1,107,215,

¹ Part I., p. 11.

² Annual Report of Board of Agriculture, 1908, pp. 67, 68.

and 26,655 acres leased for rents amounting to £33,611. Of this land vacant possession had been obtained of 38,126 acres, and 36,845 acres had been actually let to 2793 individual small holders, and 28 acres sold to two small holders. In addition 2674 acres had been let, or arranged to be let, to 17 Co-operative Small Holdings Associations. The total number of applicants since the Act came into force was, at the end of 1909, 26,883, and the total quantity of land applied for amounted to 437,124 acres. Of these applicants 15,191 had been provisionally approved for 216,863 acres of land up to the end of 1909.

If, then, the type of agriculturalist of the future in the United Kingdom is to be, as seems almost inevitable, the small holder, how is he to become successful, how is the system to be rendered "economic"? Stress has been laid by Sir Horace Plunkett and others on the fact that the success of the small holder is largely the question of the man.¹ It has been said that, in order to be successful as a small holder a man must be a wonderful agglomeration of virtue and knowledge. There is, however, much to be done in the way of education and organization.

The factors necessary for the success of small holding seem to be chiefly ² the following :—

There must be security of tenure, whereby the small holder is assured of reaping the advantage of any improvements made on the land, and has thus inducement to make such improvements. Whether ownership or tenancy is preferable seems as yet doubtful. Much has been said of the "magic of property" in securing the best return from land.

¹ *Statistical Journal*, September, 1907, p. 442.

² *Ibid.* p. 430.

The experience of the administrators of the Small Holdings Act,¹ however, is that a very small proportion of the applicants during 1908 desired to purchase their land ; only 2·7 per cent. in England and Wales, and only 1·6 per cent. in England alone. The Report for 1909 (p. 4) states that in the Report for the previous year the number of applicants desiring to purchase was incorrectly given. During 1909, out of all the applicants for land only 2·1 per cent. expressed a desire to purchase. There were a certain number of unclassified applications. But if these be ignored the percentage of purchase applications to the total number of classified applications since the Act came into operation is 2·3 per cent., the actual number being 519 out of 22,485. The reason of the preference for tenancy is probably to be found in the unwillingness or inability to sink in purchase capital badly needed for the equipment and stocking of the holding. Both for these purposes and for the purpose of paying rent the holder has need of capital.

It seems indeed the course of wisdom that capital should be thus employed at first. Probably immediate ownership would prove a burden. Yet the tenants should be encouraged to keep this before them as the ultimate object, and utilize their savings in acquiring the land which they previously rented.

The means by which the holder is to obtain the best credit in the market is only one phase of the general movement towards organization on a co-operative basis, which, as has been said, is not only *a* but *the* corner-stone in the development of modern agriculture in Europe.²

¹ Annual Report of Board of Agriculture and Fisheries, 1908, p. 10.

² Fay, "Co-operation at Home and Abroad," p. 215.

This organization, together with the reform of rural education which must go with it, is of the highest importance to the success of the agriculturalist.

Co-operative credit, which has been described as the heart of the co-operative system,¹ has long been established in some countries on the Continent, but has been only a recent growth in Ireland, and in Great Britain is still in its infancy. Indeed, the very strong individualism of Britons, which is one of the needs of the small holder, has been a great obstacle in the way of the still more necessary association. In Ireland, the Irish Agricultural Organization Society, established as an independent body in 1894, led the way.² The present Agricultural Organization Society in England, founded on the model of the Irish Society, dates only from 1901, when the British Agricultural Organization Society established in the previous year was amalgamated with the National Agricultural Union.³ In 1905 a separate society was formed in Scotland.

¹ Adams, *Statistical Journal*, September, 1907, p. 431.

² Fay, "Co-operation at Home and Abroad," pp. 106-7.

³ "The Agricultural Organization Society now has in England and Wales 292 affiliated bodies, doing an aggregate business turnover likely to amount, in 1909, to nearly £1,000,000, and covering, either individually or collectively, almost every possible type of agricultural combination" (Pratt, "Small Holders," 1909, p. 139).

Fay, "Co-operation at Home and Abroad," quotes the I.A.O.S. Report, 1907, p. 48a, with regard to co-operative societies in Ireland in 1906, as follows:—

	Number of Societies.	Number of members.	Turnover in £'s.
Dairies (called Creameries)	270	45,201	1,507,040
Auxiliaries, separately registered	13		
Auxiliaries, not separately registered	57		
Supply (called Agricultural) Societies	159	13,063	73,175
Poultry Societies	29	458	1,427
Bacon-curing Societies (Established 1905)	2	3,500	—
	530	62,222	1,581,642

With regard to co-operative credit, banks on the German "Raiffeisen" plan were established in Ireland by the Irish Agricultural Organization Society in 1894. There are now 260 credit banks, affiliated to the society, receiving loans both from the Irish Department of Agriculture and the Congested Districts Board on the recommendation of the Society.¹ The membership of the credit societies was 14,875 in 1907, and their total capital £48,718, of which £31,620 was represented by loans, and £17,098 by deposits made by members of the societies.²

In the early part of 1909, the number of agricultural credit societies of the Raiffeisen type in England and Wales was only 20, of which 6 had been formed during 1908 on the recommendation of the Departmental Committee of the Board of Agriculture for Small Holdings.³ The Central Co-operative Agricultural Bank, Ltd., which has offices in London, has also been created.⁴ It makes advances to local banks on the collective and individual responsibility of the members thereof, and receives deposits from societies having surplus funds; or will obtain loans from joint-stock banks under more favourable conditions than those which the local societies could command when acting separately.⁵ From the above account, it is clear that very much still remains to be done in order to establish co-operative credit.⁶

¹ Pratt, "Small Holders," pp. 167-8; Cf. Plunkett, "Ireland in the New Century," pp. 227, *et seq.*

Pratt, "Small Holders," p. 169.

³ *Ibid.*, p. 178.

Cf. Fay, "Co-operation at Home and Abroad," p. 197.

Pratt, "Small Holders," p. 179.

⁶ The Government have, through the Minister of Agriculture (August 4, 1910), announced their intention of dealing with the question of agricultural credit.

With regard to other co-operative societies, they are chiefly (1) purchasing societies, (2) producing and marketing societies, (3) provident societies. The purchasing societies buy seeds and manures and also can supply small farmers with other agricultural requirements, such as implements and machinery or feeding stuffs. Of the producing and marketing societies, the most important are co-operative dairies and egg and poultry societies.¹ In Ireland, there were 283 registered co-operative dairies in 1906, apparently the most successful of all the societies. With regard to eggs, it has been said, that the English dairy farmers sometimes lose the advantage which they must necessarily possess, from a matter of distance, even over French farmers, in the matter of new-laid eggs, owing to carelessness in grading.

Apparently, the output of eggs in the United Kingdom could be enormously increased.² With regard to Ireland, there is evidence that it is at the present steadily advancing; the export in 1904 exceeded £2,000,000. Prices for Irish eggs have been rising steadily from 1902. What is true of eggs is true of poultry, and in general of all classes of fresh produce. There is also room for great improvement in the butter production of Great Britain. "In order to supply to a large extent our own demand, and to obtain more remunerative prices, winter dairying must be developed, and this again depends upon the extension of the area of winter feeding crops."³ Grading has led to better prices, but there is room for improvement. This is a department in which the

¹ Fay, "Co-operation at Home and Abroad," p. 104.

² Pratt, "The Organization of Agriculture," pp. 12-24.

³ Adams, *Statistical Journal*, September, 1907, pp. 427-8.

English farmer, if his goods were reliable, should obtain practically a monopoly.

The small holder needs to provide against loss, as well as to buy and produce cheaply. Most important of all is the insurance of live stock. Insurance lends itself readily to co-operation, and has recently been very widely developed along these lines in France. The system, however, in England, dates only from October, 1908, when an Agricultural and General Co-operative Insurance Society was created and registered under the Industrial Provident Societies Act.¹

Closely bound up with the question of co-operative organization is the important question of combination for transport. English farmers complain of the cheaper rates granted to foreign producers. It is apparently, to a great extent, a matter of larger consignments. By the grouping or bulking of small into large consignments, the lowest available railway rates can be obtained.² The railway companies have been the pet *bêtes noires* of agriculturalists, but since the agricultural organizations have been established, a more sympathetic attitude on the part of the railways towards them has, it seems, been displayed.³ Much friction and consequent harm to commercial interests is thus avoided. According to the Minutes of Evidence presented to the Departmental Committee of the Board of Agriculture on Small Holdings, the bulking of freights, both of stock and of produce, has resulted in many cases in reductions of railway rates of from 17½ to 25 per cent.⁴

It is then to co-operative organizations such as

¹ Pratt, "Small Holders," pp. 194-6.

² *Ibid.* p. 135.

³ *Ibid.* p. 154. ⁴ Fay, "Co-operation at Home and Abroad," p. 111.

these that we must look for the development of the agriculture of the United Kingdom. Sir Horace Plunkett, the pioneer of co-operation in Ireland, has expressed the opinion that the holdings "ought to be considered and practically dealt with, not so much individually or separately, as in groups ;" ¹ . . . that while the isolated peasant proprietor is, under present circumstances, almost an economic absurdity, a peasant proprietary co-operatively organized, combining the closer attention, deeper interest, and more strenuous labours of the family, working for hearth and home, with the advantages of the larger operations within the power of combination, furnishes the best means of producing the utmost return from the land. Sir Horace Plunkett pleads for a number of experiments before any large redistribution of land is undertaken. He would like to see some experimental colonies actually planted by the State with the distinct object of testing the possibilities of communities of small holders. It seems desirable also that there should be a great variety of holdings if the movement is to be a success.

Finally, and perhaps most important for the future of agriculture, is the question of rural education and the revival of village life.

Sir Horace Plunkett's ² view is that the rural schools must be dealt with, but Mr. Adams ³ is of opinion that it is not a question which can be dealt with by provision in our elementary schools, "though such provision is a matter of great urgency." The information must be brought to the small holder or the farmer, and at times which will allow him to carry on his regular daily work.

¹ *Statistical Journal*, September, 1907, pp. 441-2.

² *Ibid.*, p. 441.

³ *Ibid.* pp. 433-4.

In Ireland, the educative work has been undertaken by the State through the "Department of Agriculture and Technical Instruction," established in 1899.¹ The position of direct ministerial head of the Department, of vice-president was filled, until 1907, by Sir Horace Plunkett, the founder of the Irish Agricultural Organization Society. The Department assists agriculture directly by shows, exhibitions and experiments, indirectly by agricultural instruction. Agricultural education is of several kinds.² (1) There is itinerant instruction to awaken interest—the pioneer work. (2) Winter classes are held locally, for men working on the farms, during fifteen to twenty weeks in the winter for two or three days a week. The instruction is of a practical nature. (3) Residential agricultural school stations, at which young men, who have had experience of farm work, who can spare the necessary time and money, and who intend to go back into farming, receive one year's training in scientific and practical work. There are also experimental stations, and to supplement them, demonstration plots on the farms of small holders.

The Irish Board of Technical Instruction, which advises the new Department on all matters, controls the expenditure of all moneys out of the Endowment Funds.³

It is clear that an enormous amount of work remains to be done to improve the condition of English agriculture. No doubt agriculture will inevitably be a protective interest, but quite apart from fiscal policy, there is a vast field for action,

¹ Plunkett, "Ireland in the New Century," pp. 227 *et seq.*; and Fay, "Co-operation at Home and Abroad," pp. 103-4.

² Adams, *Statistical Journal*, September, 1907, p. 434.

³ Plunkett, "Ireland in the New Century," p. 235.

both in the sphere of Governmental and of private endeavour.

Two points must be considered with regard to fiscal policy :—

(1) The future of agriculture in the United Kingdom, especially in the case of the small holder, must apparently depend to an increasing extent on dairy produce, eggs and poultry, fruit, vegetables, and perishable produce, and also on the production of the best grades of beef. How then will the agriculturalists suffer the competition of the colonial producer, helped by a preference, against the foreign producer ? No doubt, in certain articles, the competition will not be so severe as might at first appear, owing to ever finer grading, through which proximity to the market derives great advantages. But still the competition must be very great. The colonial producer's costs of production are less, and freights grow cheaper, and markets are brought nearer to the Colonies by scientific discoveries. The interests of home and colonial producers will grow more, rather than less, divergent.

(2) The preservation and development of the agricultural industry and of agricultural life is vital to the national well-being. Equally vital is the maintenance of the vast shipping industry. The interest of agriculture inevitably demands Protection. Free Trade is necessary to the very existence of the shipping industry. How shall the two be reconciled ?

CHAPTER V

GENERAL TENDENCIES

THE most striking feature of the modern development of the United Kingdom is the large proportion of the population who draw their incomes, not from productive occupations, but from investments, mostly in foreign undeveloped countries.

Sir Charles Kennedy¹ has pointed out that the proportion of the people of the United Kingdom to whom industrial occupation and work give direct employment is relatively small. He estimates the percentage of the population engaged in productive labour at 12 per cent. in 1901: the percentage engaged in industries not entirely productive, such as building, and the distributive occupations as 12 per cent. also, and he comes to the conclusion that the United Kingdom has become, to a large extent, a residential country.²

It is this development which has drawn from Professor von Schulze-Gaevernitz³ the description of the United Kingdom as a "Rentner Staat," a state living upon its income from investments. He declares that Great Britain is no longer the great industrial exporting State of which Manchester was the centre.

¹ *Journal of the Society of Arts*, December, 1903.

² *Ibid.* March, 1905.

³ Schulze-Gaevernitz, "Britischer Imperialismus und Englischer Freihandel," pp. 306 *et seq.*

What Manchester says to-day London no longer says to-morrow. London and the London Stock Exchange is now the hub, not only of British society, but it concentrates in itself the finance of the world. A new type of capitalist has arisen, the financier, who takes the place of the old industrial *entrepreneur*. He is a man of enormous power, and as the basis of that power there is a substratum of speculators who care little for the productive power of the country. Their money is invested in foreign lands which England is developing. They themselves take no part in the industrial and agricultural development. They withdraw and live on their incomes; they become "Rentner."

England's interest as a creditor State is more and more outstripping her interest as an industrial State. In 1899, Sir R. Giffen estimated the net profit on an import and export trade of £800 millions at £18 millions, while the interest from investments abroad amounted to £90 millions or £100 millions. More recently, Mr. Paish estimated our income from abroad, excluding income from capital privately placed and from banks, at £140 millions.¹ In any case, this is an ever-growing source of income, while, until a few years ago, the foreign trade in goods per head (reckoned without considering the fall in prices) was stationary or even declining.

Apparently, the fact that the creditor is forcing the industrial producer into the background is regarded with perfect equanimity by the Free Trader. If, as it is said,² imports are the real measure of gain, and *exports* are to be desired *only for what they bring*

¹ *Royal Statistical Society Journal*, September, 1909.

² J. M. Robertson, "Trade and Tariffs," p. 211.

in, then it is a matter of indifference whether the exports be manufactures or capital for investment abroad. Mr. Russell Rea declares that it is probable that we shall pay for our imports in an increasing degree by our services, and in a less degree by our goods.¹

It must be said that it is the general opinion of competent observers that investments of capital in foreign countries have enormously stimulated British trade and prosperity.² By building railways for all lands, and especially for the young countries, we have enabled the world to increase its production of wealth at a rate never previously witnessed, and to produce those things which this country is specially desirous of purchasing, food-stuffs and raw materials. By investments of capital in other lands, we have first provided the borrowing countries with the credit which gave them the power to purchase the goods needed for their development ; and secondly, enabled them to increase their own production so largely that they have been able to pay us the interest and profits upon our capital and also to purchase greatly increased quantities of goods.

In this way, the United Kingdom can hope to find in neutral regions the market which she appears to be losing in Europe. In this way also can she prepare herself for the struggle which seems to be approaching for the possession of the tropical and sub-tropical markets. But what, on the other hand, is likely to be the attitude towards fiscal policy of a great creditor State which is more and more losing its interest in productive industry ? We are dealing with a State in which not only the population

¹ Russell Rea, " Insular Free Trade," p. 62.

² Paish, *Royal Statistical Society Journal*, September, 1909.

engaged in agriculture is absolutely decreasing, but the percentage of the population engaged in industries is also declining. The percentage of the population engaged in the chief industries was, in 1851, 23 per cent., and in 1901, 15 per cent.¹

As far as the international position of London is concerned, the United Kingdom has everything to gain by adherence to a policy of Free Trade.² Anything that would tend to make London less the *depôt* of the world (and any restriction, such as a tariff, would undoubtedly have this effect), would damage the position of the London money market. For this reason, the older banking establishments cling to Free Trade. Further, the Port of London would lose by Tariff Reform. It has already lost a great deal of its distributing trade, as much of its former traffic now goes direct to foreign and colonial ports instead of through London. It is true that Tariff Reformers would probably consent to the establishment of a free port in London as in Liverpool, but it is not likely that this would prove either a very easy or a very inexpensive business for the Port Authority.

On the other hand, as a creditor State, England rests in an increasing degree on colonial territories and other States which are more or less dependent.³ The "Rentner" are independent of the Free Trade interest which governed the industrial producer. It may be to their advantage to hasten the development of the Colonies by means of Tariff Reform. The chief power in England is now the financier, and behind him a great mass of "Rentner." A

¹ Schulze-Gaevernitz, "Britischer Imperialismus und Englischer Freihandel," p. 323.

² *Ibid.* pp. 303-5.

³ *Ibid.* p. 321.

vast number of these live on the labour of the coloured races, whom it is their interest to support politically. At the same time, the home market is expanding and assuming great importance relatively to the foreign market. Professor von Schulze-Gaevernitz gives as proof of this the diminution of the export of woollen goods from the value of £17·3 millions in 1876-7, to £14·2 millions in 1901-2, compared with the increase in home consumption from £377 millions in 1877, to £518 millions in 1902.

What is the effect of these tendencies? In the Professor's opinion, they only require to be strengthened in order completely to shift the basis of the old Free Trade system.¹ He thinks it possible that England's export trade may lose its significance, that invisible exports may take the place of manufactured articles. England might, on the strength of a favourable balance of payments, allow herself an increasingly unfavourable balance of trade. She might let the British workers work in increasing degree for home needs, for the vastly expanding consuming power of the working classes and for the luxury of the "Rentner" class. From this point of view, the development of the "Rentner" class betokens a falling off from attachment to Free Trade.

In other directions also there are signs of a general slackening. In many of its most important industries, the United Kingdom has lost its lead—in the iron industry and in some branches of machinery. Even in shipbuilding, the United States are becoming a strong competitor. The United States have won great victories by organization, by individual initiative

¹ Schulze-Gaevernitz, "Britischer Imperialismus und Englischer Freihandel," p. 324.

and energy ; Germany, by the excellence of her educational methods, more especially in the sphere of applied chemistry. England, it appears, not only is falling behind in industry, but even her system of banking, on which so much depends, is out of date.

The weakening of energy in England's industry, trade and banking has been ascribed to British conservatism ; but, as has been pointed out, time was when Britons revolutionized the world.¹ In the world of philosophy, Britain formerly had such leaders as Bacon, Newton, Hobbes, Locke and Hume. In the sphere of political thought, the ideas of the sovereignty of the people and the rights of man came from England, and England through Locke exercised an influence on the French Revolution. "To-day, England's much-admired Parliamentary system exists only in name. To-day the Cabinet rules and Parliament sinks into an insignificant college of voters which mediates between the sovereign democracy and the Ministry."² Further, Britain produced Adam Smith and Ricardo, whose ideas have nowadays been modified by the German historical method. England was also the cradle of the modern capitalist system. From the seventeenth century, all the leading discoveries in the iron industry were of English origin. Factory organization and railways also were British discoveries, and England established the banking system which was the admiration of foreign countries. From these instances alone we must conclude that in these spheres, at any rate, conservatism has not always been in the blood. Professor von

¹ Schulze-Gaevernitz, "Britischer Imperialismus und Englischer Freihandel," p. 356.

² *Ibid.* p. 358.

Schulze-Gaevernitz¹ explains the change by the fact that the expanding industrial state is giving place to the stable society of ancient civilization, wherein the "Rentner" is to acquire without toil. In fact, as Welsford points out, such an ideal approaches the condition of the rulers of Rome when she ceased to be productive and lived upon tribute.²

All forces appear to be making towards the same end. Consumption is growing faster than production. In all ranks, luxury and wastefulness are increasing. There is a general disinclination for years of hard struggle by which alone success can be won and a growing tendency to look to the State as the provider of all needs. Among the higher workmen, the old belief in individual effort still exists, but in the ranks it has been replaced by a demand for Governmental action of the widest description. From almost every point of view, the Socialist development is opposed to the spirit of Free Trade. The Socialist demands, (1) the right of existence, (2) the right to work, (3) the possession of a certain trade by the workmen employed in that trade.

As long as all have work, it is of little importance, according to their theory, whether the work done attains any standard, or whether it is of such a nature that it can compete with that of other countries. It seems to follow that if the export trade is disregarded, it will decline. The question then arises whether any modern State can cut itself adrift from others; and further, whether a Socialist State would have the political power to hold in check the debtor States upon whom England relies

¹ Schulze-Gaevernitz, "Britischer Imperialismus und Englischer Freihandel," p. 359.

² Welsford, "The Strength of Nations," pp. 105 *et seq.*

for supplies.¹ If it could not, Britain's days would be numbered. Commercial superiority and political power are now irrevocably bound up together. With the one, the other must go. It is essential to our very existence to maintain our position among the Great Powers. In the words which Sir Edward Grey applied to the political situation during the course of the year 1909: "If we alone among the Great Powers gave up the competition, what good should we do? None whatever! No good to ourselves, because we cannot realize great ideals of social reform at home when we are holding our existence at the mercy, caprice if you like, of another nation. That is not feasible. If we fall into a position of inferiority, our self-respect is gone, and with it that enterprise which is essential both to the material success of industry and to the carrying out of great ideals. We should fall into a state of apathy. We should cease to count for anything amongst the nations of Europe, and we should be fortunate if our liberty were left and we did not become the conscript appendage of some stronger Power." But this is not the spirit which dominates us to-day. Everywhere, doubt and scepticism reign. Hand-in-hand with this goes a lack of individual energy and initiative. In the last generation, men of widely different ideals, such as Cobden, William Morris, and Cecil Rhodes, yet had in common a certain purposefulness, a sense of duty, a conviction that in certain directions the world was to be made better. They had a philosophy of life. To-day, an ultra-modern school of thought teaches that there is no distinction between right and wrong, that men should not toil

¹ Schulze-Gaevernitz, "Britischer Imperialismus und Englischer Freihandel," p. 375.

and suffer, simply because they do not like it, and that what is to be sought is the pleasurable sensation of the moment. Duty is sneered at, all ties and responsibilities rejected ; and the men of the day are taught to think only of their rights, of what society should do for them. It is no doubt only a phase, but it is a phase fraught with the greatest danger to the nation, from which we should seek to extricate ourselves with all possible speed. It is a sign of enervation, against which we should brace ourselves by every means in our power ; the more so as other tendencies are showing themselves, which threaten to undermine the virility of the race.

From every point of view then, it would seem probable that England is to become, as regards her relations with foreign countries, less and less the workshop of the world. Her exports will be invisible, they will be services in transport. She will become more and more a creditor State and less and less an industrial State.

It has been well said that it is against all the experience of nations that any Power can long remain great which does not possess, or having once possessed has lost, a hardy abundant rural population. But if the tendency already at work is strengthened, not only Britain's rural population but also her industrial population, will be weakened, while a breed of financiers and " Rentner," with their dependents, will gain in power. That in this transformation the race will deteriorate, there is no doubt. How then can England avoid becoming purely the international money-lender drawing tribute from the world ?

In the first place, by becoming even more than she is the international carrier. That there is room

for development in shipping is shown principally in two directions. First, although British shipping has very much increased, especially of late, there has been, during the last ten years, a vast increase of foreign shipping entered and cleared at the ports of the United Kingdom. The increase between 1895 and 1899 was enormous, and has been very great during the years last recorded, 1905-8.¹

Secondly, with regard to persons employed in shipping; during the last fifty years, the actual number of British persons employed in the home and foreign trade had not increased, but had, with slight upward and downward tendencies, slightly declined. In the period 1865-9, the average number of British persons employed annually (exclusive of masters) was 176,114. In the period 1900-4, the number, inclusive of masters, was 175,095.² During that time, the number of foreigners employed enormously increased, so that the proportion of foreigners to every 100 British persons employed (exclusive of lascars) rose from 11·71 in 1865-9, to 22·22 in 1900-4. Since 1904, there has been a fair increase in the number of British persons employed, from 175,000 to 190,000. But the number of foreigners employed is still nearly 20 to every 100 British employed. It was stated by a competent authority in 1904 that there were at that time 40,000 foreigners earning £2 millions a year on British ships whose places might well be taken by British subjects. Moreover, as has been seen, the number of British petty officers and men employed is very rapidly declining. Here is a field for development for employment by which a hardier race may be produced than a creditor nation can provide. If we cannot

¹ Cd. 4954, pp. 98-9.

² Cd. 4954, pp. 102-3.

produce it on the land, we must have recourse to the sea.

Another idea suggests itself : let England export to her Colonies not only her capital but also her men. If the Empire is bound together, she will not lose them. If Great Britain is to teach the tropical and sub-tropical Colonies the gospel of work,¹ if she is to lead them step by step to freedom, then her best men must work with the colonists, not draw at a distance in idleness the proceeds of colonial toil. In new countries, work will be found in the soil and in industry, as it has already been found for many in Africa, in districts where our administration has earned such a glowing panegyric from Mr. Theodore Roosevelt.²

¹ Schulze-Gaevernitz (quoting Hegel), "Deutschland und England," p. 50.

² Guildhall Speech, May 31, 1910.

SUMMARY

CHAPTER VI

CONCLUSION

IN the preceding chapters an attempt has been made to set forth the main facts which bear upon the Imperial Organization of Trade. It will be seen that it is, in my estimation, a problem of far greater magnitude, and embracing many more conflicting issues, than it appeared to those who, with Mr. Chamberlain, first brought the question before us. Much of the evidence necessary for a just estimation of our own condition, and still more for a comparison with the conditions of our neighbours and competitors, is still inconclusive, or altogether lacking. Until the gaps in our information, or at any rate the most important of them, have been filled, it is impossible to arrive at any satisfactory solution of this vexed problem. The results of my own investigations appear to point to certain conclusions, which may now be briefly summarized.

In the first place, regarded from almost every point of view, it must be admitted that Free Trade has in the past produced a good result. The general wealth of the country has enormously increased, as is obvious from the income tax return, and the distribution of wealth is more and more to the advantage of the great mass of the population. Furthermore, the improvement in the condition of the working classes has been fittingly described as a revolution.

Wages have risen, and also their purchasing power, as the prices of necessities have fallen ; and the hours of labour are shorter than formerly. If the employment returns do not afford evidence of greater regularity, the decrease in the percentage of paupers shows that destitution is less than in the middle of the nineteenth century ; while on the other hand, the savings in trustee and post-office savings banks and in co-operative and other provident societies reveal a steady increase in the capacity to save. Finally, the price of wheat, so important to the poorer classes, is very much less both than it was in the United Kingdom sixty years ago and than it is in Germany and France at the present day. A consideration of the general conditions of foreign trade shows that since the fifties the exports per head of the population have doubled, while the imports have more than doubled ; while in a comparison with foreign countries the United Kingdom stands at the head both as regards the value of her exports and of her imports.

If, then, this is the position of British trade, what reasons are there to urge us to a change in our fiscal system ? In the first place, we can no longer ignore the fact that we are the head and centre of a great Empire. Our policy must be modelled to serve the best interests, not only of the United Kingdom, but of the great dominions of the Empire. Furthermore, in spite of our progress in foreign trade, we find that there are branches of industry in which we are being surpassed in the European protected markets, and in which competition in neutral markets is growing very severe. There arises, therefore, a feeling of anxiety as to the future, and a desire to cement as much as possible

the union between the Mother Country and the Colonies for their mutual advantage.

It has been seen that statistics do not show that the rate of increase of British exports to colonial markets has been greater than the increase to foreign markets. But, on the other hand, the evidence is somewhat confused by the inclusion among foreign countries of neutral markets such as Egypt and the Argentine, and of at least one other, Portuguese East Africa, the ultimate destination of exports to which was, chiefly, the Transvaal.

It is, moreover, apparent that the Colonies offer a more expanding market than European countries, as they are as yet sparsely settled, and take far more exports per head of their population than the European countries do. Considering the question in detail, first from the point of view of the Mother Country, then from the point of view of each Colony, the conclusion emerged that, from natural conditions, it was inevitable that in Canada the United States should dominate the market ; but that the preference granted by Canada to the United Kingdom had alone enabled the United Kingdom to compete with any success. It appears unlikely, from a consideration of the statements of Canadian statesmen and manufacturers, that the preference to the United Kingdom will be increased. Moreover, the preference is modified by the existence of a Canadian free list open to all countries, and by the recent treaty arrangements with France, Germany, and the United States. The dominating issue with regard to Australia and New Zealand is the fact that the Preferentialist is a Protectionist, and that the method of granting preference is by increasing the duties against the United Kingdom only to a less degree

than those against foreign countries. New Zealand, moreover, is prepared to make reciprocal treaties with countries outside the Empire. In South Africa the United Kingdom has a preference covering the great majority of imports, and is the only country having a free list. But the competition against British Empire imports is as yet small.

Turning to the question of the grant of preference to colonial goods in the United Kingdom, it resolves itself into a question of a preference on certain foods—corn, meat, and dairy produce. In the first place, we are faced by the difficulty that unless a preference be extended to a large number of articles, not all the Colonies will benefit to the same extent, and that in any Colony one interest will be favoured at the expense of the others. The Colonies hope for a very rapid development under the stimulus of an increased demand for colonial produce from the United Kingdom. On the other side, there is the hope that the Empire might become in a comparatively short time, at any rate in regard to corn, self-sufficing. But it must be remembered that, of the corn-producing countries, India is subject to famine, Australia to drought; and that in the latter continent much remains to be done, not only in the way of irrigation, but in modification of immigration laws, before the population so needful to its development will be available. As regards Canada, the expansion of the wheat crop in the North-West Provinces has indeed been remarkable in the last few years; and it is said that in a short time Canada could alone supply the needs of the United Kingdom. But on this point it must be remembered that Canada looks partly towards China and Japan, which are becoming corn-consuming countries, and

that, furthermore, it would be most dangerous for the United Kingdom to be practically entirely dependent on Canada. The friendship of the United States is absolutely essential to the United Kingdom, if corn from Canada is not to be intercepted in transit. Again, as regards meat and dairy produce, though apparently not as regards corn, there will be difficulty in preventing the United States from benefiting by any preference which may be granted to Canada.¹

There arises the very important question of the divergence in interest between the colonial farmer and the agriculturalist at home ; and further, of the possibility that the corn preference may cause a rise in the price of bread, and thus arouse a feeling of resentment against the Colonies.

Again, we have to consider the position of the Empire of India, and of the Crown Colonies and Places. India is at present our most valuable customer. But she is, as is admitted on all hands, intensely Protectionist in feeling. That this feeling has been fostered by the policy of maintaining the countervailing excise on cotton cannot be doubted. We cannot deny India the industrial and economic development for which she is striving. Cotton is her one staple industry. We should assist it by all the means in our power. But what if we retain enormous import duties on Indian tea and tobacco and coffee ? Is it matter for surprise that India should desire to exclude British as well as foreign imports which hamper her nascent industries, and that three-fourths of her exports find their way to foreign countries ? Here, indeed, there seems a case for mutual concessions. India, it must, however,

¹ Moreover, once the preference is granted, should the United States lower their import duties, England would have to increase the preference, if she wished to retain the imports.

be remembered, depends, as matters stand at present, on her export trade to foreign countries for the liquidation of her debt to the United Kingdom. The possibilities of retaliation by foreign countries as a result of discriminating preference must be well considered, both in the case of India and of other Colonies, *e.g.* the West Indies, which largely depend on foreign markets for the disposal of their produce.

The importance of the Crown Colonies and Places is too often overlooked in discussions of Imperial projects. They give us products which are among the most valuable foods and raw materials—rice, sugar, tea, coffee, cocoa, fruits, rubber, and cotton. These Colonies are Free Trade, as they have nothing to protect, being indeed but little developed. As yet we can only vaguely imagine what a mighty influence their cultivation will have on the future of the Empire, and of the native races of these vast tropical and semi-tropical possessions. It must not be forgotten that, in the opinion of many, the struggle between the great Powers of the temperate zone will, in the future, be for the possession of the tropical and sub-tropical markets, and for the routes connecting tropical and temperate areas. Something could no doubt be done by lessening the heavy duties on their products in the United Kingdom, but far more by rendering them fit for habitation, by developing their natural resources, by continuing and increasing the scope of the admirable work being done by the London and Liverpool Schools of Tropical Medicine, by the Royal Botanic Gardens at Kew, and by the institutions connected with the Imperial Institute.

This brings us to the general question of what,

outside the change of our fiscal policy, can and should be done to bring about a closer union of the Empire in the sphere of trade. We have had, in the past, experience that Imperial Preference led to no better understanding between the Mother Country and the Colonies, and indeed was only the cause of ingenious frauds perpetrated upon the British consumer. Administrative and Parliamentary difficulties—such as the responsibility of ministers at home and in the Colonies, each to their own Parliament, of which the members may, at any moment, raise a discussion on the Preference—seem to suggest the feasibility in certain directions, *e.g.* as regards shipping, of an arrangement between the Mother Country and the Colonies over a stated period of years. The Mother Country has, and always will have, in the Colonies an indirect preference due to family and business connection. She gives the Colonies very substantial commercial support by the unique power of her credit, which enables them to raise loans for government and municipal enterprise, at a far lower rate of interest than States in their stage of development can otherwise obtain. But there is much that can be done for Imperial trade by improved postal and telegraphic arrangements, by cheapening postal and cable rates, by an arrangement with regard to freights, generally by reorganizing the communications of the Empire. Uniformity of legislation with regard to such matters as patents, trademarks, copyright, currency, weights and measures, marine insurance, would also be of great value. Regulations which constitute a hindrance and an irritant to colonial importers, as, for instance, the embargo on Canadian cattle, should be most

carefully examined, and, if possible, modified. Most of all, the services of British commercial experts in the Colonies to supply detailed and reliable information in regard to the state of the markets, of the demands of the colonists, require to be considerably augmented. It is to be feared that the advance of foreign countries in the Colonies in recent years has been due to the superior alertness and attention to the requirements of colonial purchasers of the foreign Consular Service.

Finally, we must not disregard our relations with countries outside the Empire. Because we desire closer Imperial unity we must not ignore the fact that, from an economic point of view, the question is complicated by our intimate relations with countries such as the Argentine, Egypt, and our ally, Japan. Naval and military organization for purposes of Imperial Defence, political organization by means of the development of the Imperial Conference, and a permanent Imperial Secretariat seem to offer less difficulties from the point of view of our relations with these countries than does the proposed system of Imperial Preference. The Argentine Republic stands to us in the position of a commercial colony. For that reason, and because of the corn supply which we draw thence, it would be almost impossible for us to discriminate against the Argentine. The position of Egypt with regard to Imperial Preference would also be extremely difficult to adjust; while, in the East, a commercial understanding with Japan is, in the highest degree, essential to us. Japan will hardly regard the imposition of duties, even for the sake of the Colonies, as an act of friendship, though in view of the new Japanese tariff it could only be considered as "tit for tat."

Indeed, we should have to consider the possibility of retaliation on the part of several countries.

This brings us to the question of the feasibility of the adoption of a policy of Retaliation by the United Kingdom. As to the hope that such a policy, or the threat of it, would help to bring down tariffs, the experience of England in the past is against it. Opinions on this point, however, vary, and it is held, on the one side, that a retaliative policy on the part of the United Kingdom would check any movement in favour of Free Trade, such as seems to have begun abroad, and, on the other side, that it would serve to strengthen and bring such a movement to a head. In the same way, there is doubt as to the strength of the position of the United Kingdom for the practice of retaliation. On the one hand, it is urged that as the British Empire offers a unique market which it is impossible to replace, and possesses, in fact, to a great extent a "buyer's monopoly," foreign countries would still be obliged, in spite of duties, to dispose of their goods in the Empire. On the other hand, Professor Marshall declares that England exports nothing that is essential to other countries, while she is extraordinarily dependent on foreign countries for the necessities of life and labour, and is thus in a position of great weakness. Against Mr. Balfour's argument that we have lost the power of bargaining must be set the achievement of the Brussels Sugar Convention. But, on the other hand, there is excellent reason for supposing that the most-favoured-nation clause is useless to us in commercial negotiations. Dumping undoubtedly has been the cause of the cry for retaliation; but this is a subject about which we have very little

information. If, after investigation, it were found that it is of a scientific nature, planned to destroy a certain industry, drastic action would be necessary. It might, for instance, in the iron industry, be possible to proceed on the lines of the Brussels Sugar Convention. If not, we might be forced to retaliate. In that case it must be remembered that the protective countries of Europe are now bound to each other by commercial treaties over a period of years, and that to retaliate with the hope of obtaining better treatment would be useless except at the time when the treaties are to be renewed. Furthermore, the country which puts on retaliative duties must be prepared, in the last extreme, for a tariff war, which is fraught with disaster, even for the victorious country.

We come, then, to the question of Tariff Reform. We have seen how Mr. Chamberlain's tariff reform proposals, at first strong in the fact that their basis was political, gradually developed into Protection. The divergence between the attitudes of Mr. Chamberlain and Mr. Balfour, bringing about a cleavage in the Unionist party, led to the *débâcle* of 1906. We further observed the tendency to squeeze out the Unionist Free Trader between 1906 and 1910, and the predominance of the question of employment in the Protectionist propaganda at the General Election of 1910. With regard to the Protectionist argument, it appeared that too exclusive attention was paid to exports to the neglect of the home market. The change in price was neglected, in a comparison between our exports and imports; the increase in British shipping and investments abroad was ignored. Worst of all, two single years were compared—always a faulty method—and these years, 1872 and 1902, particularly ill chosen to afford any useful information.

It appeared, on the other hand, that the Free Trade doctrine that the greatest aggregate wealth is obtained if each country produces that for which it is best adapted and can therefore produce cheapest, was subject to limitations, owing to the tendency among modern industrial countries towards identity of employment, and also owing to the fact that acquired aptitudes fostered by government organization are now as important as natural aptitudes. Moreover, the causes which govern the division of the aggregate wealth of nations among the various countries must be considered. On the Protectionist side the idea of the maximum of productivity as the end to be aimed at has been continually put forward, and the importance of manufactured articles has been insisted on. In this connection we have seen that the proportion of manufactured exports to the total, as well as the proportion of manufactured imports to the total, was higher in the United Kingdom than in any other country. It must be admitted that Germany and the United States are developing faster in their export of manufactured articles than the United Kingdom. The reasons for the rapid industrial development of these countries are many. Both are very large Free Trade areas, the United States not yet filled up, but containing a population which is the pick of all that was most alert and adventurous in the Old World. Both are new industrial States, while England has been long a homogeneous whole. The United States have unique natural resources. The agricultural resources of Germany are greater than those of the United Kingdom ; her population is increasing faster ; she holds an excellent position in the centre of Europe. Many factors have combined to

foster the development of Germany and the United States besides Protection. Moreover, two points must be remembered. The conditions of Germany and the United States are so dissimilar from ours that we cannot argue that the fiscal policy which suits them would necessarily suit us. Further, Germany and the United States are but two of the many Protectionist countries. Examples might be multiplied of countries which have not prospered under Protection. Two, France and Italy, are described.

We have examined in some detail the principal staple industries—iron and steel, cotton, wool, shipping and shipbuilding, and agriculture. As regards the production and consumption of iron and steel, it was shown that the United Kingdom had lost its supremacy, and that in the export trade it has, of recent years, been surpassed by Germany in the principal European protected markets, while the competition of the United States in the neutral markets was growing ever more severe. Grounds were given for the opinion that the United States were bound to excel in the production of iron, and that Germany has greatly benefited by the Thomas-Gilchrist discovery. As regards alleged dumping, very little is known of the actual extent to which it is practised, or the effects on the trade. It seems that, if it exists, a method might be found to combat it on the lines of the Brussels Sugar Convention. The cotton industry is extraordinarily sensitive to foreign trade relations, being dependent for the whole of its raw material on imports from abroad, and exporting four-fifths of its manufactures. The cotton manufacturers, as is well known, are the heart and soul of Free Trade in the United Kingdom. A change in the fiscal policy might endanger their

raw material, and moreover might hamper their export trade. But most of all, the Free Trade feeling is fostered by the relations of the cotton manufacturers with India, their chief customer. Adherence to Free Trade principles enables them to insist on the maintenance of a countervailing excise to the Indian import duty on cotton, against Protectionist feeling in India, which would come into play should Tariff Reform be adopted in England. Of the woollen industry it is sufficient to say that in spite of complaints of foreign dumping, the great centres, practically without exception, return Free Trade representatives to Parliament. I have left a consideration of shipping and agriculture to the close of my observations, as they sum up my views on this question.

Turning from a brief examination of our staple industries to the revenue aspects of the problem, we are confronted by the difficulty of an expenditure which is threatening far to outstrip our resources. On all hands it seems agreed that great sources of revenue will have to be found. One party would find them in ever-increased income tax, death duties, and land taxation. This is the essence of the Budget of 1909-10. On the other side, the late Sir Robert Giffen protested against the imposition of such taxation at the level at which they are now maintained, as a tax on capital. Moreover, the burden is already so great that no resource is left for an emergency, such as may, in all probability soon confront us. He pleaded for a broad basis of indirect taxation, urging, however, the maintenance of Free Trade rather than Protective duties.

We had then to discuss the vexed question of the incidence of a corn duty. We saw that the tendency of such a tax to increase would be combated in the

United Kingdom by the extremely powerful manufacturing interest, to which State and municipal employés would lend support. The tendency, however, remains. But supporting the supposition that the duty would remain at about 2s. a quarter on wheat, we came to the conclusion that though the effect of such a duty is not easy to trace, and though there appears to be no essential connection between wheat and bread prices, yet it seemed probable that such a duty might on occasions hasten a rise or retard a fall in bread prices, and thus cause hatred of the landowners and of the colonial farmers. Further, it is necessary to lay stress on the fact that the misery caused by dear bread to the poorer part of the population spreads in an ever-widening circle, and that insufficient food seems to lead to increased consumption of alcohol. The importance of the price of bread is, on the other hand, modified by the provision of meals for school children, and State pensions on the present non-contributory system for the aged. It must also be remembered that Mr. Balfour definitely stated that though it was beyond his power to prevent a rise in the price of bread, yet in the sphere where any Governmental action could have such an effect, he would feel it his duty to combat it.

The two questions, that of the price of bread and that of unemployment, are perhaps the most important issues which have been raised in the whole discussion of the fiscal problem. With regard to unemployment, it is my impression that free imports have not been a leading cause. I am not as yet convinced that they are a subsidiary cause, but on that point it is of little use to offer an opinion, until far more is known of the effect of scientific

raids in discouraging capital in the industries attacked. It seems to me, as to Mr. Beveridge, that increased demand for labour is no cure for unemployment; for it has been a constant phenomenon during a period of unparalleled expansion in the United Kingdom. Cyclical and seasonal fluctuations in trades are a cause, but far more, casual employment, the under-employment of large numbers. The problem is largely a town problem, and must be met by organization of labour, and still more by a change in the training of the town labourer, who falls before the competition of the superior country-bred man. In connection with this question of employment, we have seen how futile is the argument from emigration statistics; and how, moreover, a comparison of United Kingdom and German statistics is worthless, as the German figures are only for oversea emigration.

We come, then, to a discussion of the development of the trusts, the organizations which apparently can only flourish in protective countries. In the United Kingdom they are as yet in their infancy, and it is to foster them that some would adopt a protective policy. Their advantages appear in foreign trade, where, by superior organization, they are able to oust individual foreign competitors. It has, however, been said that the United Kingdom is not adapted for the development of trusts, lacking the essential of such organizations—a wide home market, in which prices can be forced up. Moreover, the United Kingdom is, more and more, devoting itself to the finishing industries in which, according to German experience, the trust organization is most difficult to maintain. Of the evils of the trusts it is impossible to speak too strongly.

They tyrannize over the customer in their own country, and under their influence the whole life of the nation is corrupted. Protection, even did it not bring with it these organizations, is detrimental to the purity of public life. The danger of the trust lies in its strength, which enables it to make all authorities, political and social, the slaves of its power.

It is argued that it is the weakness of the central authority in the United States which has given the trusts their baneful strength. We cannot, however, assume that the British, as a people, are incorruptible. The days of Walpole are not so long past that they might not return.

We thus come finally to the most important of our industries, shipping and agriculture. It may be said that, of the industries which are discussed in this volume, cotton and wool gave employment to nearly 800,000 out of the 1,029,353 persons employed in all textile factories in 1901.¹ The numbers employed in building, exclusive of shipbuilding, have more than doubled during the last fifty years, and the trade is among those which offer the widest employment. Iron and steel, with its allied engineering and shipbuilding, is by far the most important of the metal trades. Agriculture still gives employment to larger numbers than any other industry, while the numbers employed in shipping might be very much increased.² Coming then to a

¹ Statistical Abstract for United Kingdom, 1894-1908, p. 309. Sir Charles Kennedy, however, gives somewhat different figures.

² Sir Charles Kennedy, *Journal of Society of Arts*, March, 1905, gives the following figures of employment in the various largest industries :—

Agriculture	2,262,454
Domestic	2,199,517
Conveyance	1,497,629
Metals and machinery	1,475,410
Textile fabrics	1,462,001

discussion of shipping, its vital importance to us, as an island race, was pointed out. It was shown that the predominance of the United Kingdom in shipping had been established since the abolition of the Navigation Acts ; while, during the same period, the United States shipping, under a protective system, had progressively declined. In the same way, the dependence of shipbuilding on Free Trade is shown by the establishment in Germany of free ports, a policy of which Tariff Reformers recognize the necessity. The United Kingdom is increasingly the largest builder of ships for foreign orders, and perhaps for that reason there is an apparent diminution in British shipping during the last twenty years. The foreign shipping at ports of the United Kingdom has increased at a greater rate than the British, while in the foreign trade of France, and more especially of Germany, the proportion of British ships is less than formerly. This is even the case, to a slight extent, during the last ten years with regard to the United States, although, taken over the last fifty years, the increase of British shipping in the United States sea-ports has been enormous. The question moreover of American-owned ships is a serious one ; and infinitely more serious the fact that the number of British seamen employed in the mercantile marine is declining. British shipping, in the view of some great authorities, suffers from the effects of humanitarian legislation, which places it at a disadvantage in competition with foreign shipping. But this is, on the other hand, denied. Far more important is

Building and construction	1,335,820
Workers and dealers in dress	1,395,795
Engaged in food, drink, and tobacco trades and lodging	1,301,076

the organized attack made by foreign governments by direct and indirect subsidies to their own shipping. Some of these subsidized lines, notably the North German Lloyd, have increased to such an extent, that they now ply between the United Kingdom and the Colonies. So grave is the danger to British shipping, that so high an authority as the late Sir Robert Giffen recommended a partial return to the Navigation Acts. He urged that foreign ships, and especially foreign subsidized ships, should either be excluded altogether from the coasting trade of the different portions of the Empire, and from inter-provincial trade, or that we should admit such ships to these trades only on condition of their complying with the same rules as to construction, equipment, and inspection as apply to British ships. He further suggested that such British ships as are exposed to the unfair competition of foreign countries should be granted subsidies. There are, of course, many difficulties in the way of granting subsidies, and of reserving the coasting trade of the British Empire. It is, however, a policy against which the United States, Russia, and France would have no cause for complaint, as it is practised by them in regard to their own Colonies.

It must be remembered that the Parliamentary Committee on Steamship Subsidies (1902) did not report in favour of the grant of subsidies, except in a very few special cases, in one of which, East Africa, a subsidy has proved unnecessary. They, however, insisted on the need of enforcing Board of Trade regulations against foreign ships, and this has, to some extent, been done. Further, they recommended that if subsidies were granted, certain conditions should be insisted on, with regard to the

subsidized lines ; and that, if need be, regulations for the admission of foreign vessels to the British and colonial trade of this Empire should be used with the object of securing reciprocal advantages for British shipowners abroad. But in this connection it must be remembered that no arrangement affecting the coasting trade of the Empire could be made without the consent of the Colonies.

This suggests that shipping is one of the matters upon which an understanding over a period of years between the Mother Country and the Colonies is perhaps essential.

Finally, we come to agriculture. From the point of view of the future of the race it is, with shipping, the most important of our industries. It has been seen how the value of agricultural land during the last fifty years has decreased, and the numbers employed in agriculture have diminished. Yet it is still the industry which employs the largest number of persons of any in the United Kingdom. We have seen how the countries of Western Europe became, during the latter half of the nineteenth century, under the stress of competition from the virgin lands of other countries, small-scale farming areas ; and how in this transition, Great Britain, the country of large-scale farming *par excellence*, lagged behind. Yet in the United Kingdom the conversion of arable land to grass, the breaking up of large farms, and the creation of small holdings is proceeding. Opinion is unanimous that, with regard to the small holder, the type of agriculturalist of the future, success is largely a question of the man. That does not mean that education and organization are not of the highest importance. The organization, as has been

shown by experience, must be co-operative, and it is on these lines that the Irish Agricultural Organization Society and other similar societies in Great Britain are proceeding. The small holder has need of capital, in the first place, for the equipping and stocking of his holding. In this connection, it may be noted that the lack of capital accounts for the preference, at first, for tenancy rather than ownership. But the tenant should be encouraged to aim at ownership in the future and to utilize his savings to acquire it. Co-operative banks, and other co-operative societies, purchasing, producing and marketing, and provident societies, all play their part in the development of the small holding schemes. Combination for transport is almost equally important. Sir Horace Plunkett, the pioneer of agricultural co-operation in Ireland, which in this direction is far in advance of Great Britain, pleaded for a variety of governmental experiments. He insisted on the vast importance of rural education, which he has himself helped to organize in Ireland, and of the revival of village life, which has suffered so severely during the period of migration to the towns. It is on these lines that we can hope to see agriculture recover from the depression under which it is now lying. But undoubtedly there will, in some branches, be great competition between the home and colonial producer; though, in the important sphere of fresh produce, in spite of improvements in transport, the home producer should always, if grading is carefully carried out, have the advantage. There remains the difficulty that the agricultural interest will almost inevitably be Protective, and that it is in the highest degree essential to foster it. On the other hand, the almost equally important

shipping industry has grown up and flourished under Free Trade.

What is the trend of development in the United Kingdom? The proportion of the population engaged in productive labour is declining. The United Kingdom, in the opinion of some authorities, is becoming to a large extent a residential country, or, in the words of Professor von Schulze-Gaevernitz, a "Rentner Staat," a state composed of men living on their incomes. London has superseded Manchester as the centre of commercial life. The great financier has taken the place of the manufacturer of the nineteenth century. England's interest as a creditor State is tending to outstrip her interest as an industrial State, and as a result the bases of the old Free Trade system are weakening.

Individualist activity is giving place on the one hand to the ideal of the "Rentner," of toilless acquisition of wealth, and on the other hand, to the Socialist demand that the State should find and secure employment to all men, and should take over all their responsibilities. From the point of view of foreign trade, the United Kingdom is losing its place as the great workshop of the world, and is becoming more and more the international money-lender. What are the remedies? They are to be sought in the first place in the development of our shipping. The foreign shipping in United Kingdom ports, the foreign persons employed on British vessels, have of late years enormously increased. Here is a field for development in the mercantile marine.

If our exports are to be invisible, let them be services in transport; let us be the international carriers. The sea can produce for us a hardier race

than the Stock Exchange can provide. It is not denied that investments in foreign lands, and more especially in the neutral markets of the tropics and sub-tropics, and in the Colonies, are a stimulus to British industry. The harm lies in the type of man that is produced—the man who in idleness draws profit from the toil in which he takes no part. What is wanted in the Colonies, especially in the Crown Colonies, quite as much if not more than capital, is men. In the words of Ex-President Roosevelt, “capital is a good servant, but a mighty poor master.”¹ The men who go from the United Kingdom to these Colonies will teach them, through their own lives, the gospel of work. We shall not lose what the Colonies gain, for these settlers will form between the Mother Country and the Colonies a stronger bond than capital can ever forge.

It remains for us to examine in detail what we have so frequently observed before, the incomplete or inadequate nature of the statistical evidence at our disposal. In the first place, as regards the United Kingdom, there are branches of the problem upon which we have practically no evidence. No information of any value with regard to dumping and so-called scientific raids is yet available. The figures for unemployment are very incomplete. The Board of Trade figures are based on the trade union returns, but it must be remembered that these only include skilled workmen, and that there are no records of employment for unskilled trades. When we come to consider the price of bread, we find how extraordinarily artificial the prices quoted as the “average price of a quartern loaf,” even for one city, such as London, are. The prices, based on the

¹ *Times*, June 1, 1910.

returns from the Battersea and Greenwich Co-operative Societies, show considerable variations from those given in the *Baker's Record*. It may be imagined how impossible it is to estimate from this any average price for a larger area, such as a country. When we consider our foreign trade, we find that the values quoted for exports and imports for any one country are not really comparable. The export values are f.o.b., the import values c.i.f. The Board of Trade, in the first "Fiscal Blue Book," calculates that the cost of insurance and freight is, on an average, somewhere about 10 per cent. of the value of imports. But the freight rates of particular imports differ considerably from one another, and distance of transport is also a factor. It seems as if freight rates require special investigation. Again, with regard to our exports and imports, there are many gaps in our information. It is frequently impossible to discover what are the articles classified under "manufactured articles." As has been seen, among the "manufactured articles" imported from Russia are hemp, dressed and undressed, oil and seed cake, and among those from the United States are copper, leather, petroleum, etc., all of which are, as a matter of fact, essentially valuable to our manufacturers, and might indeed be termed their raw materials. Again, information is lacking as to the nature of articles of one designation which we export and import. To quote only one example, 35 per cent. of the machinery exported and 57 per cent. of the machinery imported remained unclassified in 1907. When we consider the question of Retaliation, both as a possible policy for the United Kingdom to adopt against her competitors, and for them to adopt against the Empire, we find

that we require far more evidence than is at present available. In the first place, if we would know whether foreign countries can dispense with the exports of the United Kingdom, we should require information as to the other sources from which they draw the products which they also draw from the United Kingdom; and whether these sources can be drawn upon to an extent which will supply the absence of British goods, or whether any substitute will probably be found. Again we have little detailed knowledge of the destination of colonial exports, in so far as they go to foreign countries, and therefore cannot judge, except in a few cases, whether the Colonies are in a position to suffer from retaliation, in case the United Kingdom grants them a preference. The best information we have in this matter is in regard to India, and even here Sir Edward Law is of opinion that the evidence is incomplete.

But it is in comparing conditions in the various countries, that we find the statistical evidence useless or misleading. Continually we are confronted by non-identity of definition or inadequate definition, some of which might be removed by international agreement on certain points. In the first place, in the United Kingdom, the statistical year does not coincide with the fiscal year, which is from April to March, while all the statistics are made up for the calendar year. The South African, Australian Commonwealth, and New Zealand returns are made up for the years ended December 31, in common with those of the United Kingdom. The Newfoundland returns are made up to the end of June, as were those of the Dominion of Canada until 1906. Now the statistics are compiled for the years ended March 31, in accordance with the

Canadian Act 12 of 1906. The Indian returns are also compiled for the years ending March, as are those for some of the principal Crown Colonies (viz. Jamaica, Trinidad, British Guiana, and St. Vincent), but the remainder adopt the calendar year. The United States trade year ends on June 30, so that in comparing the figures for any one year in the different countries, we are not really comparing identical periods. Again the United States values for imports are not comparable with those of the United Kingdom, as the cost of insurance and freight are included in the United Kingdom figures, and not in those of the United States.

When we compare the shipping on the registers of various countries, the different limits of registration should not be forgotten. The recorded tonnage of registered vessels belonging to Germany is the net tonnage of ships of $17\frac{1}{2}$ tons and upwards; of those belonging to the United States, it is the gross tonnage of ships of 5 tons gross and upwards; of France, it is the net tonnage of ships of 2 tons and upwards; while in the United Kingdom certain vessels under 30 tons burden are exempt from registration. Moreover, the carrying capacity of a country's merchant navy is the result of three factors—the number of ships, the tonnage, and their speed.¹ In published statistics, only the first two are given. Germany gives the age constitution of her mercantile marine, according to which the carrying capacity may be discounted, but apparently no other country does this.

The evidence available for a comparison of the industrial conditions of the United Kingdom and of various foreign countries is really of little value.

¹ *Statistical Journal*, January, 1910, pp. 14–5.

We could hardly say that it serves for more than to convey an impression. The argument from emigration statistics is, as has been seen, open to grave criticism, and at any rate, those of Germany are vitiated for purposes of comparison by the fact that they relate only to oversea emigration.

Inconclusive as they in many respects are, there are no figures in any other country comparable with the employment statistics compiled by the Board of Trade from the returns of trade unions. If we attempt a comparison of the savings of the people in different countries, we find ourselves face to face with absolute non-identity of definition. Post-office and trustee savings bank deposits in the United Kingdom are limited to a maximum of £200 in respect of any one person, while there is no limit for registered friendly societies and certain other working-class societies. In Prussia, the maximum deposit varies from £25 in some banks to £2,500 in others. In the majority of the States of the American Union, there is no limit at all to the deposits which an individual may make, while in the remaining States the maximum varies from £200 to £1,000. We cannot then compare the figures of savings bank deposits.

In regard to wages and prices, the evidence is quite inconclusive. Such evidence as we have is contained in the Blue-Books, "The Cost of Living of the Working-Classes," in the United Kingdom, France and Germany. In regard to prices, it is perhaps sufficient to state that the United Kingdom prices were collected in 1903-4, those of Germany during 1906-7, those of France during 1907-8, and no allowance was made for the change in prices between the different periods. Moreover, it is an

extremely artificial method in compiling the Budgets to do it by estimating the cost to the British workman, if he consumes the same articles in Germany or France as he does in Great Britain. In regard to wages, in the first place, the agricultural labourer was not considered; certain trades were selected for comparison and no indication is forthcoming of the proportion which the men in the selected trades bear to the whole population. The wages quoted for France and Germany are based on returns of earnings in an ordinary week, those of England and Wales are standard time rates. What the relation of actual earnings to standard rates is, we do not know. We have no evidence that similar designations of workmen in different countries indicate that the same work is being done. We do not know how much workmen in different countries receive in supplementary wages. All this is necessary if we are to express wages in terms of economic goods, which is the only safe basis for international comparison. Finally, doubt is cast on the German figures compiled by the Board of Trade by the fact that they differ considerably from those compiled by the German Imperial Statistical Office on the same matter.

The foregoing are the principal gaps in our statistical information which require to be filled before we can consider ourselves in a position to attempt a solution of the tariff problem.

But it will not be found a simple matter to fill either the principal or the subordinate gaps in our information with the machinery at present available. We have to face the formidable fact of the overlapping of our Intelligence Departments at home and in the Dominions beyond the Seas. A competent authority, writing to Sir F. Pollock's Committee, observed that

“Imperial problems outranging the scope of any one particular Government office are not confined to the colonial sphere. They arise on all sides. Under existing circumstances, such problems may be theoretically dealt with either by correspondence between departments, an admittedly slow, clumsy, and otherwise unsatisfactory procedure, or by reference to the Prime Minister and the Cabinet.”

In this case, we have not only competition between departments like the Foreign Office, the Colonial Office and the Board of Trade at home, but we have a like competition in the Colonies and India. Further, we have Consular officials being appointed not only by the British Government in the Colonies, but also by the Colonies in foreign countries, apart from purely trade questions and postal and telegraphic arrangements¹ and the questions of freight rates and classification, like those raised by the British Board of Trade Commissioner at the Congress of Chambers of Congress at Sydney in 1909.

For such duties, it will be desirable very largely to increase the scope of the Imperial Secretariat appointed after the Conference of 1907. The duties involved are not merely the collection and the dissemination of accurate information, but the constant co-operation of all branches of His Majesty's Government at home and beyond the seas. There are not only the self-governing Colonies, but there are also the Crown Colonies and India to be considered, especially in such matters as those relating to the migration of labour whether white or coloured.

What is wanted is an Intelligence Department to do for the civil affairs of the Empire the work now

¹ In postal matters some progress has been made since 1907, especially in postal rates to Canada.

being done for naval and military affairs by the Imperial Defence Committee, and something more.

We want, in fact, (1) the Imperial Advisory Council proposed by Sir Frederick Pollock's Committee, and constantly advocated by Chambers of Commerce, both individually and at such representative gatherings as those held in London in 1907 and at Sydney in 1909. To the Advisory Council, there should be added (2) an Imperial Secretariat, not subordinate to any Department but independent and immediately under the supervision of the Prime Minister, and (3) a permanent Imperial Commission advocated by Sir Frederick Pollock's Committee and by Mr. Lyttelton's despatch, distinct from the Council, to prepare subjects for discussion at the Conference, to investigate special problems referred to it by the Conference, and to inquire how ideas embodied in resolutions passed by the Conferences can best be carried out. This Commission would be employed to conduct inquiries, not only on matters referred to it by the Conference, but also in connection with the *ad hoc* Conferences which have more than once taken place in recent years upon a reference made to them by His Majesty's Government and one or more colonial Governments. The Commission would consist of a permanent nucleus of members nominated in a certain proportion by His Majesty's Government, with power to obtain the appointment of additional members for special inquiries, and the remuneration, if any, of the Commissioners would rest with the Government appointing them. The Commission would have an office in London and an adequate secretarial staff, at the expense of the Imperial Government. The secretary of the Commission

would act as secretary of the Council when it met, and be responsible for the records of both the Council and the Commission.

The Commission would be, in the words used by Mr. Haldane in another connection, "an Imperial Government Committee, containing representatives of the Colonies in continuous communication with their Governments," to secure the continuous attention of the Government as a whole to matters which have a common interest for the whole Empire; in fact, to secure continuity of policy.

The urgent necessity of such institutions is due to the fact that Free Traders, no less than Tariff Reformers, will have to face the problem of providing machinery for commercial treaties. The year 1914 is drawing near, when Continental commercial treaties expire and an opportunity will occur for pressing British interests on foreign nations. Before that year, as we have seen, there will be little practical advantage to be gained, but in that year will come an opportunity which will not recur for another decade. The Imperial Conference of 1911 will offer an occasion for taking the representatives of the British Dominions beyond the seas into our Councils on such questions as British shipping and the extension to other industries of the principle of the Brussels Sugar Convention. The same Conference will offer a unique chance for taking the preliminary steps towards obtaining uniformity in commercial legislation in matters such as trade-marks, patents, and copyright; in commercial administration in matters such as light dues and consular and Board of Trade commercial agents; and finally for progress on the question of the Supreme Imperial Court of Appeal.

The last Imperial Conference obtained the nomination of an Imperial Secretary with very limited powers, in fact little more was done than to give a new title to an official in the Colonial Office, with power of exchanging letters with Ministers of the Dominions in matters of routine. In fact, Mr. Deakin, writing on behalf of the Australian Government, describes the change as "an alteration of Departmental practise too minute to call for attention."¹ For the next Imperial Conference, we have already had foreshadowed by Lord Crewe the division of the Colonial Office into two departments: 1. The self-governing Colonies. 2. The Crown Colonies. There is a danger that the Imperial Secretary will sink into the Assistant Under-Secretary of State for the self-governing Colonies.² This step backward must be prevented. Further, we can press for two steps in advance, (1) the appointment of the Advisory Council "to consider questions of Imperial interest, especially those tending to promote trade between the various parts of the Empire," advocated by the Congress of Chambers of Commerce at Sydney in 1909. This would involve little more than the appointment of some members of the Conference, with some of the permanent and Parliamentary officials, to act as a Standing Committee sitting in London. (2) The appointment of an Imperial Commission, as outlined by Mr. Lyttelton, to draft proposals on the subject of Imperial commercial treaties for the next meeting of the Imperial Conference. There are signs that such steps will meet with general support. There is a growing feeling

¹ Cd. 5273, p. 4.

² Cd. 5273, p. 5. The proposal of the Australian Government in 1907 contemplated an organization entirely separated from the Colonial Office.

among Free Traders that "some project of co-operation in trade within the Empire must soon be undertaken." There are to be found, even in the speeches of so convinced a Tariff Reformer as Mr. Walter Long, signs of a feeling that the Free Trading portion of the community cannot be dragooned into Protection. If a *via media* is to be found, the whole question of tariffs and commercial treaties must be discussed in a very different atmosphere from that of political meetings, and even from that of the House of Commons, as any constant reader of the debates will admit; more light is necessary and less heat.

This means that party feeling must, for a time, be set on one side. How difficult this would be under ordinary circumstances is hard for any one who has not been actively engaged in English political life to understand. Having been a very keen party man myself, before the Fiscal question became a party test, I am not likely to underrate the attachment of politicians to political friends or the love of Parliamentary contests for their own sake. Yet I, for one, am not without hopes that while the spirit of conciliation rules, as it will do till the Coronation year is passed, there is an opportunity which may never recur of settling the vital problem to the satisfaction not only of both parties at home, but also to that of all parts of the Empire.

Wider questions have been raised throughout this book, many of which would require a special volume to themselves, and on those wider questions I am not willing to take a despondent view. My life has been spent in travel and the public service, and it has brought me into close personal contact with every grade of His Majesty's servants, not only in the army and navy and recognized civil

services at home, but also beyond the seas. It has also been my good fortune, not only as a temporary civil servant and as a Member of Parliament, but also as a public administrator for many years in the various branches of local government at home, to come into close touch with that vast mass of public-spirited persons of every class of His Majesty's subjects who are content to do without pay and, for the most part, without prospect of personal recognition or reward, the greater part of the administrative work of this country. As a student of foreign systems now for more than a quarter of a century, I should like to express the opinion that there is no civilized country where more public spirit is exhibited and where more sterling work of a public kind is ungrudgingly performed by all classes of the population. It is not given to every one to merit and receive the eulogies of a President of the United States for epoch-making achievements in extending civilization and with it the prestige and glory of the British name. But I am well assured that work of equal value is being performed by the members of the trade unions, the friendly and co-operative societies in their respective organizations, as well as by the classes immediately above them in charitable work no less than in parish, district and county councils. If there is any slackening to be found, it is, I regret to say, in the class above the trading community, the class which by leisure, by public school and university education, is more fully qualified to do public work. Here the slackening noted in some branches of trade is perceptibly to be found, although it is not as yet very widely spread.

The prosperity and future of the country rests on the public spirit with which public work is

performed quite as much as on the individual energy and initiative of the trader at his daily occupation. It must be the duty of those, through whose hands British children are now passing, to try and profit by the knowledge of German method and organization, specially visible in instruction, of French clearness of thought, and American energy and tireless application to business.

In spite of certain general tendencies recorded above, take it all in all, there is no reason to lament the lack of business capacity in British merchants any more than the lack of administrative power in British officials or the lack of working grit in British operatives. What is needed is more concentration in younger years on the ideals and work of those who have immediately preceded us. But I for one see no reason why the reign of King George V. should not be as successful as those of his illustrious predecessors, not only in the settlement of the narrower issues which are the subject of this book, but also in the solution of those far wider problems, the fringe of which it has been necessary here and there to touch. The watchword is after all to be given in the King's own words. The Mother Country must "wake up," and there is every reason to hope that under his wise guidance she will. For never did the Crown mean so much and have so well deserved an influence for good throughout the British Dominions as it has in the year of grace 1911.

The long reign of Queen Victoria falls into two chapters from the constitutional point of view. The first ended with the death of the Prince Consort, who was gradually building himself a position in politics which might have changed the current of

English history. During the second, the Queen, though in retirement, exercised an influence not yet sufficiently recognized and at the time almost unknown to the masses of her people. But though to the outward eye at home, the Premier of the day was the first person, the Colonies and the Empire cared only for the person of the Monarch, who to them enshrined all that was worthiest in the English race. When Edward VII. came to the throne, and asserted his influence, always within constitutional limits, but practically in every department of the State, it was a matter of the greatest surprise to foreign students of the British Constitution that the open exercise of the kingly power, so long dormant or unobserved, was not only hardly the subject of remark in Parliament, but was most warmly welcomed by every section of the British people. There was therefore less astonishment expressed abroad when George V., immediately on his accession, not only brought a truce to the bitterest political controversy, that of the House of Lords veto, but indicated a solution by Conference, which public opinion in the country at large will, one hopes, eventually force to a successful issue.

There would therefore be no reason for surprise, if George V. should, from his unequalled knowledge of his Dominions, exercise at the Imperial Conference of 1911 the influence of the Crown, which has hitherto not been prominent in the question of the closer union of the Empire, though it was not inactive in King Edward's hands. It is too much to hope that he will, as some enthusiasts have proposed, revive the custom of the King presiding at the Council of his British ministers; but it is not beyond the region of possibility that he should show his interest

by being present at the inaugural meeting of the first Imperial Conference of his reign.

"Tantæ molis erat Romanam condere gentem" are the words which rise to one's lips, as one contemplates the past history of the United Kingdom ; but the task is not one that is past. Its achievement lies still in the future, and it is entering on a new phase. The problem of defence is on its way to solution ; but that is only one of the problems of Imperial Organization which to-day confront us, and in the piping times of peace it excites less interest than the more commonplace but equally essential one of trade.

One branch of trade which is vital to the Empire has not, for many years, attracted much visible interest either from the Crown or the public. Yet the shipping trade is practically at once the key of the fiscal policy and the basis of Imperial Defence. An agreement between all portions of the Empire on this vital subject might be the means of starting agreement and united action on the other questions.

In the words written to me a few years ago by Mr. Walton, then Treasurer of Cape Colony, "We all want a practical start." Perhaps we shall get it from the Crown. It may come, though there are not many signs of this, from "the High Court of Parliament." At any rate we can all put our shoulders to the wheel. For the Empire has been built up so far, not by the Crown and Parliament alone, but by the energy and initiative of every class of the community.

APPENDIX I

COURSE OF AVERAGE PRICES OF GENERAL COMMODITIES IN ENGLAND.¹

FORTY-FIVE articles in decennial periods since 1867 and in 1907 are considered :—

Wheat, flour, barley, oats, maize, potatoes, rice, beef (2 kinds), mutton (2), pork, bacon, butter, sugar (3), coffee, tea, iron, copper, tin, lead, coals, cotton, flax, hemp, jute, wool (3), silk, hides (3), leather, tallow, oil (3), seeds, petroleum, soda, nitrate of soda, indigo, timber (2).

The average prices of the eleven years, 1867–77 are called 100 in the case of each commodity.

AVERAGE INDEX NUMBERS OF PERIODS OF 10 YEARS.

1818–1827 = 111	1841–1850 = 86
1819–1828 = 106	1842–1851 = 83
1820–1829 = 103	1843–1852 = 82
1821–1830 = 101	1844–1853 = 83
1822–1831 = 100	1845–1854 = 85
1823–1832 = 98	1846–1855 = 86
1824–1833 = 97	1847–1856 = 88
1825–1834 = 96	1848–1857 = 89
1826–1835 = 93	1849–1858 = 90
1827–1836 = 93	1850–1859 = 92
1828–1837 = 93	1851–1860 = 94
1829–1838 = 93	1852–1861 = 96
1830–1839 = 94	1853–1862 = 99
1831–1840 = 95	1854–1863 = 100
1832–1841 = 96	1855–1864 = 100
1833–1842 = 96	1856–1865 = 100
1834–1843 = 96	1857–1866 = 100
1835–1844 = 95	1858–1867 = 99
1836–1845 = 95	1859–1868 = 100
1837–1846 = 93	1860–1869 = 101
1838–1847 = 93	1861–1870 = 100
1839–1848 = 91	1862–1871 = 100
1840–1849 = 88	1863–1872 = 101

¹ Sauerbeck, 1908.

1864-1873 =	102	1882-1891 =	74
1865-1874 =	102	1883-1892 =	72
1866-1875 =	101	1884-1893 =	71
1867-1876 =	101	1885-1894 =	69
1868-1877 =	100	1886-1895 =	68
1869-1878 =	99	1887-1896 =	68
1870-1879 =	97	1888-1897 =	67
1871-1880 =	96	1889-1898 =	66
1872-1881 =	95	1890-1899 =	66
1873-1882 =	93	1891-1900 =	66
1874-1883 =	90	1892-1901 =	66
1875-1884 =	87	1893-1902 =	66
1876-1885 =	85	1894-1903 =	66
1877-1886 =	82	1895-1904 =	67
1878-1887 =	79	1896-1905 =	68
1879-1888 =	78	1897-1906 =	70
1880-1889 =	76	1898-1907 =	71
1881-1890 =	75		

Index number for 1907 = 80,

APPENDIX II

Much attention has been drawn of late to the alleged consumption of horseflesh in Germany, as indicating a low standard of living among the working-class population.

The statistics which relate to the consumption of food in Germany are contained in the Board of Trade Report, "The Cost of Living in German Towns" (Cd. 4032, 1908). They may be compared with the Report, "The Cost of Living of the Working-Classes" of the United Kingdom (Cd. 3864, 1908).

It has already been indicated¹ that this Board of Trade Report differs in some respects from the Report of the Kaiserliches Statistisches Amt. The British and German investigations differ considerably with regard to the average weekly expenditure on food and drink of the German working man.

The following statistics are available with regard to the *quantities* consumed :—

AVERAGE WEEKLY QUANTITIES OF CERTAIN ARTICLES OF FOOD CONSUMED
BY WORKMEN'S FAMILIES IN GERMAN TOWNS, 1906-7.²

	Limits of weekly income.				
	Under 20s.	20s. to 25s.	25s. to 30s.	30s. to 35s.	35s. to 40s.
Average number of children at home	2·37	2·28	2·51	2·51	2·79
Meat (including sausage and bacon)	lbs. 4·94	lbs. 5·55	lbs. 6·21	lbs. 7·36	lbs. 8·23
Bread and Flour	21·99	23·33	25·05	26·06	29·83
Potatoes	28·13	25·57	23·96	23·81	24·63

¹ Cf. *Statistical Journal*, January, 1910, p. 64.

² Cd. 4032, p. xx.

UNITED KINGDOM.—AVERAGE WEEKLY QUANTITY OF CERTAIN ARTICLES OF
FOOD CONSUMED BY URBAN WORKMEN'S FAMILIES IN 1904.¹

	Limits of weekly income.			
	Under 25s.	25s. and under 30s.	30s. to 35s.	35s. to 40s.
Average number of children at home	3·1 lbs.	3·3 lbs.	3·2 lbs.	3·4 lbs.
Meat (including bacon)	5·38	6·44	7·45	7·81
Bread and Flour	28·44	29·97	29·44	29·99
Potatoes	14·05	15·84	16·11	15·87

It will be seen that in these statistics two German income groups correspond to one British group of the lowest incomes.

Further, in the British workman's family there are, on an average, more children living at home than in the German family with the same income.

We see from these figures that in families in which the weekly income is from 25s. to 35s. the German family consumes from 0·09 lbs. to 0·23 lbs. less meat than the British family. In incomes ranging between 35s. and 40s. the British family consumes on an average 0·42 lbs. less meat than the German family.

In all groups enormously more potatoes are consumed in Germany. That the German consumes potatoes from predilection, and not as a substitute for other foods, is seen from a comparison of the consumption in families of which the weekly income is above 40s., which may be considered comparative ease.

	Germany. ²	United Kingdom. ²
Limit of weekly income	40s. and above	40s. and above
Average number of children at home	3·76 lbs.	4·4 lbs.
Meat	10·78	10·01
Bread and Flour	38·21	37·76
Potatoes	33·55	19·93

The average income of those who made returns in this group was 48s. 8½d. in Germany, 52s. 0½d. in the United Kingdom.

¹ Cd. 3864, p. xxvi.

² Cd. 4032, p. xx.

³ Cd. 3864, p. xxvi.

If we consider the percentage of the family income which is spent on meat and fish of all kinds in the two countries, we find the following :—

PERCENTAGE OF INCOME SPENT ON MEAT, BACON AND FISH.

Weekly Income.		Germany. ¹	United Kingdom.
Under 20s.	} Under 25s.	{ 22·2 per cent.	18·0 per cent.
20s. and under 25s.		{ 19·3 " "	
25s. " 30s. ..		18·6 " "	18·1 " "
30s. " 35s. ..		18·8 " "	18·7 " "
35s. " 40s. ..		18·4 " "	17·6 " "
40s. and over 		18·4 " "	16·4 " "

We thus see that the proportion of income spent on meat is constant in Germany in incomes from 25s. upwards ; and that in incomes between 25s. and 40s. there is little difference in the percentage of income spent on meat of all kinds in Germany and in the United Kingdom.

What proportion of the meat consumed by the German workmen is *horseflesh* ?

We find that the kinds of meat principally consumed are beef, pork, and sausage³ (chiefly of pork).

The proportions are analyzed by the Board of Trade as follows :—

PERCENTAGE OF TOTAL WEEKLY CONSUMPTION.

Beef.	Sausage.	Pork.	Bacon.	Veal.	Mutton.	Other kinds.	Total.
29·8	26·7	21·3	10·4	5·9	3·5	2·4	100·0

So far as horseflesh appears in the German working-class Budget at all, it is included under "other kinds" of meat (2·4 per cent. of the total consumption of meat altogether). It may also to some extent be included under sausage.

The returns of municipal slaughter-houses show that Bremen has the highest consumption of horseflesh—6 lbs. per head of the

¹ Cd. 3864, p. xxvii.² Cd. 4032, p. xxi.³ Cd. 4032, p. xxi.

population per annum in 1905. The return of Chemnitz (which has been dragged into such prominence of late) was $2\frac{1}{2}$ lbs. per head per annum in 1905, no return being available for 1904.¹

It may be noted that under the designation "other meat" in the United Kingdom report are included, *e.g.* "sheeps' heads, tripe, heart, liver, pig's fry, tinned meats, rabbits."²

In connection with this question of the consumption of horse-flesh, it may be noted that a German authority has observed that it is a subject of which little is heard, except at election times, when it appears with unfailing regularity.

¹ Cd. 4032, p. xxiii.

² Cd. 3864, p. xxvi.

APPENDIX III

CONSOLIDATION IN THE CROWN COLONIES.

WITHIN the past five years there have been numerous consolidated editions published of the Statute Law of our Crown Colonies and Protectorates, viz :—

British Guiana (edition in 5 volumes), 1905.

Ceylon (3 volumes), 1907.

Fiji, 1905.

Gold Coast (new edition in the press).

Mauritius (7 volumes), 1905.

N. Nigeria, October, 1904.

N. E. Rhodesia, 1907.

Seychelles (3 volumes), 1906.

Sierra Leone (4 volumes), 1909.

S. Nigeria (2 volumes), 1907.

Swaziland, 1908.

Trinidad and Tobago (7 volumes), 1905.

Turks and Caicos Islands, 1908.

With regard to the other Crown Colonies, in 1909 Barbados and the Leeward Islands (Federal Legislature) passed Acts providing for the preparation of complete editions of Statute Law in force.

In the Bahamas there have been many amending and consolidating Acts. In Bermuda, amongst many other laws, consolidating laws have been passed with regard to the Supreme Court, Evidence, Appeals, Marriage, Education, Aliens, a complete Criminal Code (six hundred sections), and Liquor Licensing.

In the Straits Settlements consolidating laws have been passed during the last four years with regard to Muhammadan Marriage, Forests, Stamp Duties, Courts, a Civil Procedure Code, Medical Registration, Opium, Liquor Licensing, Minor Offences, and extensive amendments of the Municipal Ordinances and the Criminal Procedure Code.

APPENDIX IV

AUSTRALIAN RESOLUTIONS FOR THE IMPERIAL CONFERENCE, 1911.¹

THE Resolutions which the Commonwealth Government proposes to lay before the Imperial Conference urge :—

- (1) Commercial co-operation.
- (2) The encouragement of British manufactures and shipping.
- (3) Uniform navigation laws, securing employment for British seamen.
- (4) Uniform company laws.
- (5) Mutual naturalization, subject to local immigration law.
- (6) The rejection of Articles 48 to 54 of the Declaration of London, and the omission of food stuffs from Article 24.
- (7) The reaffirmation of the 1907 Immigration Resolution, and also the co-operation of the Imperial Government with the Dominions in assisting suitable emigrants, and the nomination of representatives of the Dominions on the Emigrants' Information Committee.
- (8) Mutual legislation against conspiracy in one part of the Empire to defeat the laws of other parts.
- (9) The nationalization of one Atlantic cable, in order to control the All-Red Route.
- (10) Coinage reform.
- (11) The principle of International Arbitration.
- (12) Uniform trademarks and patents legislation.
- (13) A single Imperial Court of Appeal.

¹ *Times*, December 1, 1910.

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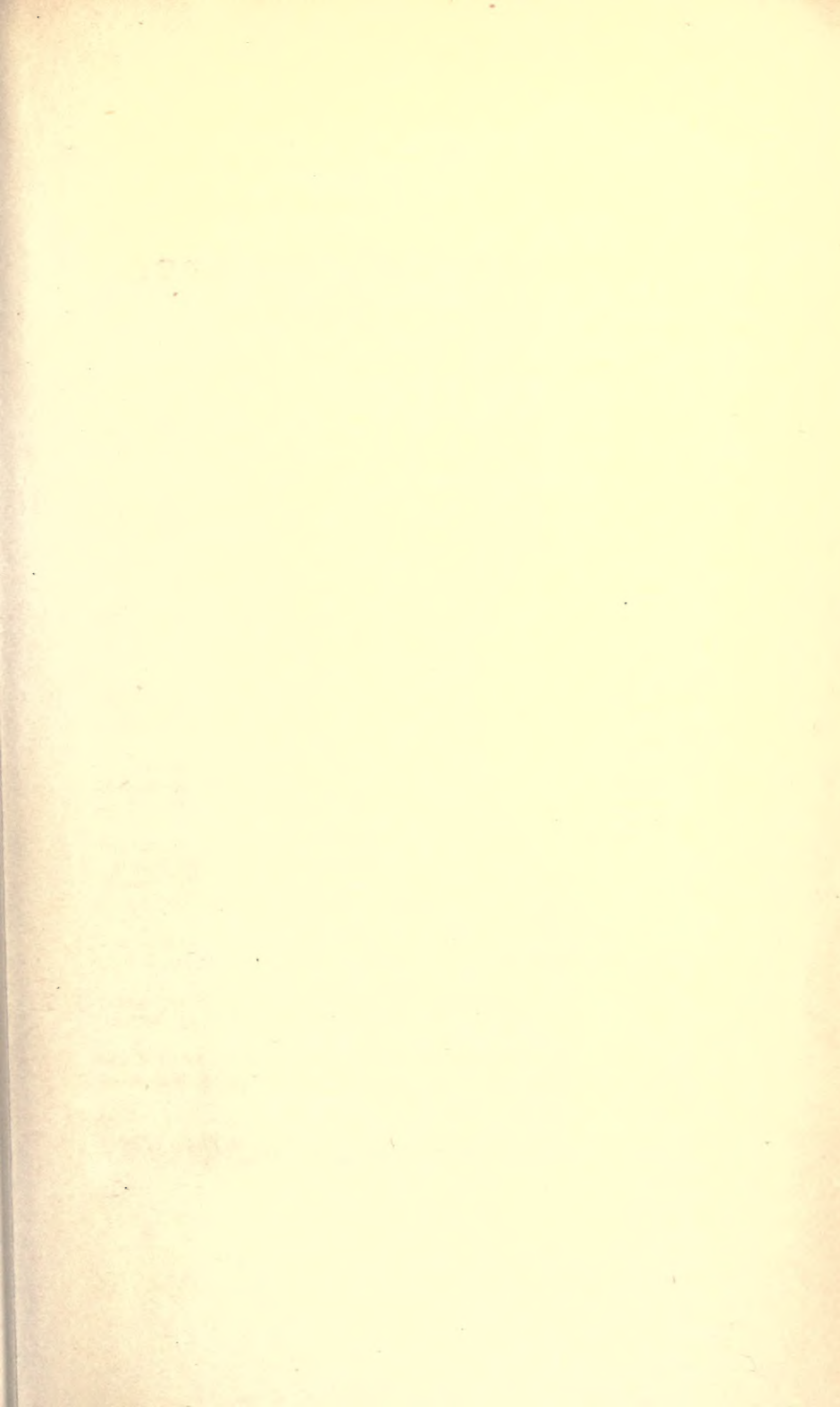
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